The Mossavar-Rahmani Center for Business & Government
John F. Kennedy School of Government, Harvard University

November 2007 Newsletter

M-RCBG CELEBRATES 25 YEARS

TWO DAY CONFERENCE ON NEW DIRECTIONS IN REGULATORY POLICY focuses on global climate change, financial regulation, healthcare policy & regulating energy markets. SEC CHAIRMAN CHRISTOPHER COX & FORMER FDA COMMISSIONER MARK MCCLELLAN OFFER KEYNOTE ADDRESSES

FROM THE DIRECTOR

Since the Center for Business & Government opened its doors in 1982, much has changed in the public and private sectors. In Karl Fisch’s popular internet clip, Shift Happens, he reveals we are living in an age when just a week’s worth of the New York Times contains more information than a person was likely to encounter in their lifetime during the 18th century.

It was in this spirit that we celebrated 25 years’ worth of tackling critical issues at the heart of business & government with the New Directions in Regulation conference. Four panels focused on issues at the forefront of policymaking. Climate change, health care policy, and regulation of the financial and energy markets are issues each of the 2008 Presidential candidates will have to address during the campaign. Keynotes by Mark McClellan and Chris Cox offered views on where we are and where we are going, in the health care and financial industries, respectively.

But perhaps most importantly, we launched the next 25 years of creating public value through the research, teaching and convening of issues and players in the public & private sectors.

We could not achieve what we do without the continued generosity and vision of our supporters. Thank you for the last 25 years, and here’s to the next 50!

CAMBRIDGE—On October 23rd & 24th, the Mossavar-Rahmani Center for Business & Government celebrated its 25th year of addressing critical problems at the nexus of business and government. More than 120 participants attended the two-day event to hear renowned experts and discuss regulatory issues ranging from global climate change to health care policy. On October 23rd, Mark McClellan, the former Administrator of the Centers for Medicare & Medicaid offered a keynote address on Health Care Regulation for the 21st Century: Regulating Personalized Medicine. October 24th featured a full day of panels, capped off by a keynote address (and Inaugural Robert Glauber Endowed Lecture) by SEC Chairman Christopher Cox on The Role of Government in Markets.

Said Kennedy School Dean David Ellwood, “It is very exciting to me to celebrate the 25th anniversary of M-RCBG, and it’s also very exciting that the way we’re going to celebrate it is less by taking credit or being excited about all of the things in the past but instead looking forward. There has never been a more important and a more exciting time than in this environment.”
OCTOBER 22 - M-RCBG’s Regulatory Policy Program (RPP) relaunched its New Directions in Regulatory Policy seminar series on October 22nd with a lunch seminar given by MIT’s Denny Ellerman on The EU Emissions Trading Scheme. The seminar was the first in a series of four on global climate change. On November 5, one week after his proposal for a U.S. cap-and-trade system to address global climate change was issued by the Hamilton Project at the Brookings Institution, Albert Pratt Professor of Business & Government Robert Stavins outlined the proposal. He discussed “cost-effective means for achieving meaningful emissions reduction,” and highlighted the differences between cap-and-trade and carbon taxation proposals. On November 8th, Harvard Law School Professor Jody Freeman spoke on Global Warming Litigation: The Supreme Court’s Decision in MA v. EPA and Its Implications. The series will welcome UCSB’s Charlie Kolstad on December 3 to discuss Climate Change: Is Economics the Source of the Problem or the Key to the Solution? Working papers from each seminar are available on the program’s website at: www.ksg.harvard.edu/m-rcbg/rpp. The series resumes in February 2008, and will continue to focus on global climate change. If you would like more information, please visit the RPP website.

PREVIOUS NEW DIRECTIONS IN REGULATION SEMINARS


Accounting for Social Security & Its Reform
Howell Jackson

The Role of Self-Regulation in Financial Markets, Robert Glauber

Restoring Trust in Business: A Conversation on Corporate Social Responsibility, Ben W. Heineman

Libertarian Paternalism, Cass Sunstein

A U.S. Cap-and-Trade System to Address Global Climate Change

WASHINGTON, D.C. - In a paper commissioned by the Brookings Institution’s Hamilton Project, Robert Stavins, the Director of the Harvard Environmental Economics Program (HEEP) proposes "a specific cap-and-trade system with several key features including: an upstream cap on CO2 emissions with gradual inclusion of other greenhouse gases; a gradual downward trajectory of emissions ceilings over time to minimize disruption and allow firms and households time to adapt; and mechanisms to reduce cost uncertainty." For more information: www.ksg.harvard.edu/m-rcbg/heep

STUDENTS

CASE COMPETITION - On October 26th, 15 students prepared analyses of a public sector case provided by Accenture on insuring America’s uninsured. The winning team of Daniel Acevedo, German Sturzenegger, Jose Luis Romo and Victor Quiroz won $1000, provided by competition sponsor, Accenture. The B&G PIC plans to repeat this event in fall of 2009. STUDY GROUPS - The first meeting of the new student transportation study group was held on October 23, and attracted over 30 students to hear Stephen Goldsmith discuss Transportation, Infrastructure, and Public Private Partnership. The next meets on November 14, and features Les Passa of CSX Corporation on Solving Highway Congestion - Why not Rail? The study group was conceived by a group of M-RCBG fellows.
ETHIOPIA

ADDIS ABABA - After eleven years of working with Ethiopia to strengthen its public financial management, M-RCBG’s Decentralization Support Activity program will end this December. At the close of the program, over 70,000 Ethiopian government staffers will have been trained to work with the new financial systems. The DSA project team has designed and built software to manage the new budget, accounting, and expenditure planning systems.

The Center would like to thank all involved with this effort, particularly Steve Peterson, the Chief of Party and director of the program. The past 11 years have required dedication, tenacity, creative problem solving, and above all, lots of hard work. Center Director John Ruggie says, “The DSA models the type of work the Center is most proud of - connecting the resources of the public and private sectors to produce significant public value. Congratulations to all DSA staffers in Ethiopia and Cambridge!

Corporate Social Responsibility

The CSR Initiative hosted over 100 leaders from major companies, business coalitions, donor agencies, and non-governmental organizations at a leadership dialogue entitled, “Expanding Economic Opportunity through Collaborative Action,” on October 18-19, 2007. Sir Suma Chakrabarti, Permanent Secretary of the UK Department for International Development, presented the key address on the role of growth, collaboration, and competition in achieving the Millennium Development Goals. As background for the meeting, the Initiative produced a framing paper on the role of large firms in increasing options for entrepreneurship and employment as well as papers exploring different ways in which companies in the following seven industry sectors are implementing these options, often in partnership with government entities and non-profit organizations: extractives, financial services, food and beverage, health care, information and communications technology, tourism, and utilities.

FALL 2007 BUSINESS & GOVERNMENT SEMINAR SERIES


OCTOBER 1 - The End of Government As We Know It: Making Public Policy Work. Elaine Kamarck, KSG

NOVEMBER 1 - Public-Private Partnerships: Navigating the Intersection of Public and Private Value. Alan Trager, KSG

**SEE UPCOMING EVENTS (PAGE 5) FOR FUTURE SEMINARS OR VISIT OUR WEBSITE - WWW.KSG.HARVARD.EDU/M-RCBG**
CAMBRIDGE - The two day event commemorating the Mossavar-Rahmani Center for Business & Government’s 25th anniversary attracted guests from around the globe, and featured experts on diverse issues of regulatory policy.

Continuing its tradition of convening scholars, practitioners and students to address critical problems at the nexus of business and government, the New Directions in Regulatory Policy conference featured panels at the fore of many of today’s policy debates: climate change, health policy, and regulating financial and energy markets.

As Robert Stavins, chair of Panel I on global climate change noted, “Climate concerns have gone mainstream.” Panelists Stavins, Johns Hopkins’ Scott Barrett, Resources for the Future’s Joe Aldy and KSG’s Jeffrey Frankel discussed next steps after the Kyoto Protocol’s expiration in 2012. Barrett, noting the Kyoto Protocol was intended as a “first step,” called for a combination of ‘push and pull’ incentives to diffuse environmentally sound technology worldwide.

KSG’s Robert Glauber, Lehman Brothers’ Tom Russo, Barclays Global Advisors’ Abe Friedman and the Office of the Comptroller of the Currency’s John Walsh discussed banks’ underwriting standards and the rights of shareholders, in Panel II on financial market regulation. Friedman called for guaranteeing certain basic rights for shareholders, something he believes would allow shareholders to better monitor their holdings, eventually decreasing the need for stringent enforcement.

Panel III’s contributors Alison Taunton-Rigby of RiboNovix, the FDA’s Dr. Janet Woodcock, David Nexon of AdvaMed, Jack Schuler of Stericycle and the Kennedy School’s Joseph Newhouse focused on drug costs and the importance of getting the balance between health care innovation and regulation right. Newhouse cited FDA decisions regarding drugs making it to market and insurance companies’ decision-making behind what medicines and procedures they will pay for as areas that will be under particular scrutiny in the future.

Panel IV on regulating energy markets featured Exelon Corporation’s Betsy Moler, the Repsol YPF Fundacion’s Jorge Segrelles, KSG’s Erich Muehlegger and Stanford’s Jim Sweeney discussing market liberalization, changes in the US energy market, and global climate change. Moler highlighted the tension between rising energy prices and global climate change as one of the significant issues in energy for the next generation.

SEC Chairman Christopher Cox closed the events with the Robert Glauber Endowed Lecture on “The Role of Government in Markets” in the Forum. Cox cited some of the current challenges to our traditional regulatory model he sees as blurring the lines between the regulator and the regulated. “When the government becomes both referee and player, the game changes rather dramatically for every other participant,” Cox said. “Rules that might be rigorously applied to private sector competitors will not necessarily be applied in the same way to the sovereign who makes the rules.”

“For 25 years the Center has provided a neutral space in which key players from government, business, and civil society can come together, understand each other’s perspectives, and seek consensus — honestly and effectively — with expert help from Kennedy School faculty,” said John Ruggie. “Today our work touches on every aspect of the business and government intersection, and its focus is global as well as national.”
On October 23, **Linda Bilmes** was one of only three experts to testify before the House Budget Committee on the cost of the Iraq War. She was joined by Dr. Peter Orszag, the Director of the Congressional Budget Office, and Amy Belasco of the Congressional Research Service. Linda’s testimony may be viewed on our website at www.ksg.harvard.edu/m-rcbg. In October, her work on veterans and war costs was featured in Newsweek; the Christian Science Monitor; the Washington Post, CBS News, ABC News, CNN, and Government Executive Magazine. **Jeffrey Frankel** has been presenting his research on China’s exchange rate policy, and commenting on the research of others, in such venues as: the Economic Policy panel meeting, at the Federal Reserve Bank of New York, the NBER conference on China’s Growing Role in World Trade, the Conference on China’s Exchange Rate Policy, and will present at the IMF Annual Research Conference, International Monetary Fund on November 17. In October, **Alan Trager** published a new case on pharmaceutical manufacturer Eli Lilly creating the MDR-TB Partnership to fight MDR-TB, a form of tuberculosis. The case is available on the Kennedy School website. **Robert Stavins** served as a lead author in the Second and Third Assessment Reports of the UN Intergovernmental Panel on Climate Change, which was one of the two recipients of the 2007 Nobel Peace Prize. Finally, congratulations are due to **Archon Fung** who has been granted tenure here at the Kennedy School.

**UPCOMING EVENTS**


**NOVEMBER 29** - Business & Government Seminar Series. *Consumer Demand for Labor Standards*. Michael Hiscox, Department of Government, Harvard University. RSVP to MRCBG@ksg.harvard.edu

**DECEMBER 3** - New Directions in Regulatory Policy Seminar. *Climate Change: Is Economics the Source of the Problem or the Key to the Solution?* Charlie Kolstad, Bren School of Environmental Science & Management. RSVP to RPP@ksg.harvard.edu

**DECEMBER 6** - Business & Government Seminar Series. *Good Fences Make Good Neighbors: Assessing the Functionality of Industry Self-Regulatory Institutions*. Andrew King, Tuck School of Business, Dartmouth. RSVP to MRCBG@ksg.harvard.edu