



HARVARD Kennedy School

MOSSAVAR-RAHMANI CENTER for Business and Government

CREATING PUBLIC VALUE BY
ENGAGING BUSINESS AND
GOVERNMENT

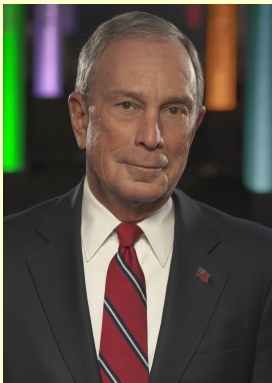
February 2018

www.mrcbg.org

SUMMERS AND BLOOMBERG ANNOUNCE TASK FORCE ON FISCAL POLICY FOR HEALTH



Last month, former New York Mayor Michael Bloomberg and M-RCBG Director **Larry Summers** announced the Task Force on Fiscal Policy for Health to bring together fiscal policy, development and health leaders from around the globe, including ministers of finance, to address the enormous and growing health and economic burden of non-communicable diseases (NCDs) in lower- and middle-income countries. The hope is to identify underused fiscal-policy tools to lighten that burden. These illnesses include cardiovascular disease, cancer, chronic respiratory diseases and diabetes.



NCDs are the leading cause of death in the world, killing 40 million people each year and representing 70 percent of all annual deaths. Eighty percent of NCD deaths occur in low- and middle-income countries, straining health care systems, contributing to poverty and posing a major barrier to development. Tobacco use, obesity and risky alcohol consumption are three leading risk factors for the development of NCDs. Ministers of Finance control a powerful tool to reduce the harmful use of these products: tax policy.

This Task Force will examine the evidence on excise tax policy for health, including barriers to implementation, and make recommendations on how countries can best leverage fiscal policies to yield improved health outcomes for their citizens with the added benefit of bringing in additional revenue. Smart fiscal policy can save lives and help economies.

"We have strong evidence from around the world that raising taxes on products like tobacco, sugar sweetened beverages and alcohol is highly effective at reducing harmful consumption and saving lives," said Summers. "I'm grateful for the commitment of this impressive group of leaders, whose expertise and experience will help the Task Force bring attention to the enormous potential of fiscal policies for health."

Other members of the task force include Masood Ahmed, President, Center for Global Development; Zeti Akhtar Aziz, former Central Bank Governor; Kaushik Basu, Prof. of Economics, Cornell University; Helen Clark, former Prime Minister of New Zealand; Margaret Chan, former Dir. General, WHO; Bent Høie, Minister of Health & Care Services; Ngozi Okonjo-Iweala, former Minister of Finance, Nigeria; Zhu Min, Dir., National Institute of Financial Research, Tsinghua University, China; Mauricio Cardenas, Minister of Finance, Colombia; Minouche Shafik, Dir., London School of Economics; Nicola Sturgeon, First Minister of Scotland; and Tabaré Vázquez, President of Uruguay.

Seminars & Events

M-RCBG has over 80 seminars and events scheduled each semester. Below are a few of the upcoming events. For a complete listing, visit www.mrcbg.org.

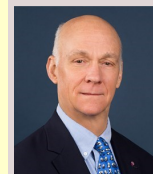


Applying Asset Pricing Theory to Calibrate the Price of Climate Risk; Gernot Wagner, Harvard.
L-382, Jan 31. 4:15-5:30pm.

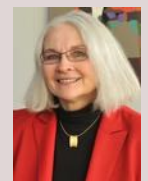
Regulatory Reform and Individual Liberty; Neomi Rao, OIRA. Bell, Feb 1.
11:45am-1pm.



Pursuing Sustainability: Challenges and Opportunities; Bill Clark, HKS. Fainsod, Feb 8.
11:45am-1pm.



Regulatory Policy: The EU Variation; Elizabeth Golberg, European Commission. Bell, March 8.
11:45am-1pm.



How People Update Beliefs about Climate Change: Good News and Bad News; Cass Sunstein, Harvard.
L-382, March 28.
4:15-5:30pm.



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CRI launches water security report at Davos

The Corporate Responsibility Initiative and the World Economic Forum launched a report at Davos in January titled *The 2030 Water Resources Group: Collaboration and Country Leadership to Strengthen Water Security*.

The report finds that because the world's population is growing and urbanizing, increasing demand for water across the economy is continuing to strain the capacity of municipal water systems in many countries. Incomes are rising and supporting more water-intensive lifestyle choices, from using more energy to eating more meat. In some cases, companies are fueling such choices in their efforts to grow. Water governance is often weak and water prices are often so low that companies struggle to make the business case for using water wisely and it is difficult to attract private sector investment into water infrastructure and other solutions. Closing this gap is a technical, behavioral, and political challenge in which individual consumers and institutions in government, business, and civil society all have roles to play. Stakeholders must develop new technologies, products, services, business models, public service delivery models, policy and regulatory innovations, voluntary standards, and norms that together deliver new results. Strong government leadership will be essential in creating an enabling environment in which stakeholders have the incentives to undertake these activities.

The 2030 Water Resources Group is a global partnership that supports country-level collaboration by government, business and civil society to achieve water security. Through multi-stakeholder platforms in 14 countries and states, 600 organizations – including 160 from the public sector, 240 from the private sector, and 200 from civil society – are now working together on projects and policy reforms with support from 2030 WRG. To read the full report, visit: www.hks.harvard.edu/centers/mrcbg/programs/cri

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In November, **Linda Bilmes** (center), Daniel Patrick Moynihan Senior Lecturer in Public Policy, testified to a Senate Armed Services Committee briefing regarding how the post 9/11 wars have been paid for and financed.

Ruggie helps Canada create new ombudsperson to address responsible enterprise complaints



The Canadian government has announced the creation of an ombudsperson for “responsible enterprise,” satisfying a request from Canada’s mining industry that he or she cover more than just the extractive sector. The position was created with the help of **John Ruggie**, Berthold Beitz Professor in Human Rights and International Affairs at HKS, who joined Trade Minister Francois-Philippe Champagne in announcing the ombudsperson in Ottawa last month.

This individual will likely have the authority to respond to requests to investigate an incident involving a Canadian company, start up his or her own investigations, try to mediate disputes, and make recommendations to the trade minister for further action where warranted. Ruggie served as the UN Secretary-General’s special representative for business and human rights from 2005 to 2011, in which he developed measures to strengthen the human rights performance of the business sector around the world.

Stavins, Stowe attend COP-23, UN Climate Conference



COP23
UN CLIMATE CHANGE
BONN 2

In November, **Robert Stavins**, A.J. Meyer Professor of Energy & Economic Development, Director of the Harvard Environmental Economics Pro-

gram and of the Harvard Project on Climate Agreements, along with **Robert Stowe**, Executive Director of the Harvard Environmental Economics Program and co-director of the Harvard Project on Climate Agreements, traveled to Bonn, Germany as attendees and participants of COP-23, the United Nations Climate Change Conference. The conference was the next step at implementing the Paris Climate Change Agreement. Stavins and Stowe, with the support of the Enel Foundation, hosted a meeting discussing the implementation and linking of carbon pricing instruments. Stavins, along with co-authors Michael Mehling (MIT) and Gilbert Metcalf (Tufts), discussed the findings of their recent paper “Linking Heterogeneous Climate Policies (Consistent with the Paris Agreement).” **Joseph Aldy**, Associate Professor of Public Policy at HKS, participated in this meeting remotely to discuss his recent paper “The Political Economy of Carbon Pricing Policy Design.” Their contributions will help shape the future of climate policy as governments work to implement environmental regulations on an international scale.

M-RCBG welcomes two new senior fellows



Camilla Cavendish is an award-winning journalist and commentator who sits as an independent peer, Baroness Cavendish of Little Venice, in the UK House of Lords. She was a senior advisor to Prime Minister David Cameron, as Head of the Policy Unit in Number Ten Downing Street. She received her MA from Oxford University in Politics, Philosophy and Economics and her MPA from the Kennedy School, where she was a Kennedy Memorial Trust Scholar. She has expertise on a wide-range of policy issues, including healthcare. She was the author of the Cavendish Review, An Independent Review into Healthcare Assistants and Support Workers in the NHS and social care settings, commissioned by the UK Government in 2013. She has been a Non-Executive Director of the Care Quality Commission, the UK's hospital and care home regulator. At M-RCBG, her research is entitled *The coming demographic challenge, the emergence of the "Super Old", and the need for new conceptual frameworks*.



Timothy Massad was sworn-in as Chairman of the Commodity Futures Trading Commission on June 5, 2014, after being confirmed by the United States Senate as Chairman and as a Commissioner of the US Commodity Futures Trading Commission. Previously, Mr. Massad was nominated by President Obama and confirmed by the U.S. Senate as the Assistant Secretary for Financial Stability at the U.S. Department of the Treasury. In that capacity, Mr. Massad oversaw the Troubled Asset Relief Program (TARP), the principal U.S. governmental response to the 2008 financial crisis designed to help stabilize the economy and provide help to homeowners. Under TARP, Treasury's investments in financial institutions, the credit markets and the auto industry prevented the economy from falling into a depression. Mr. Massad was responsible for the day-to-day management and recovery of TARP funds, and during his tenure, Treasury recovered more on all the crisis investments than was disbursed. At M-RCBG, his research is entitled *Buyers Remorse, Corporate Responsibility and the Next Financial Crisis*.

To learn about M-RCBG's other senior fellows, visit: www.hks.harvard.edu/centers/mrcbg/about/senior-fellows.

Upcoming study groups with senior fellows

Feb. 5: Rabah Arezki on *Rethinking the Oil Market in the Aftermath of the Price Slump*

Feb. 20: Elizabeth Golberg on *Better Regulation in the European Union? Boon or Boondoggle?*

For additional details, visit: www.hks.harvard.edu/centers/mrcbg/students/sg

Furman and Weiss among economists urging Trump and Congress to support fiscal stimulus for Puerto Rico

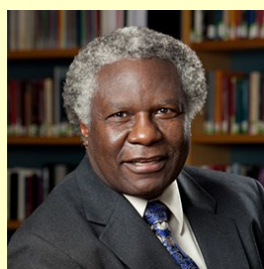
In January, over two dozen U.S. economists, including HKS Professor **Jason Furman** and M-RCBG senior fellow **Antonio Weiss**, released an open letter in an effort to push the Trump administration and Congressional leaders to take decisive action to accelerate economic growth and rebuilding in Puerto Rico, where a humanitarian crisis after Hurricane Maria is ongoing.

Some of the economists grew increasingly alarmed by the lack of federal attention on Puerto Rico and are urging its reconstruction to be a more urgent priority for the executive and legislative branches. The economists emphasize that Puerto Rico should receive substantial federal investment as part of the supplemental relief act Congress will consider for American regions destroyed by hurricanes and fires.

Before Hurricane Maria hit, Puerto Rico's economy was already in a downward spiral, and its economy stopped growing in 2015, with negative GDP growth, fiscal austerity, unemployment, emigration and debt. For this plan to succeed, the economists argue that the territory needs at least \$94 billion, lasting debt relief with suspension of all debt payments to creditors until its economy recovers, the same level of federal Medicaid and Medicare aid received as in all other US states, and full access to a federal Earned Income Tax Credit and an expanded Child Tax Credit. To read the letter in full, visit: www.recovery4pr.org.

M-RCBG mourns the loss of Calestous Juma

It is with great sadness that we mourn the passing of



HKS faculty member **Calestous Juma** on December 15. Calestous was a trusted advisor to heads of state, a champion of international development, and a globally-recognized scholar on science, technology and innovation. Kenyan President Uhuru Kenyatta eulogized his fellow countryman, saying "No words can match the achievements of this great man who enjoyed an exemplary career and served with humility and generosity... Those who had the pleasure of meeting him — or communicating with him online and off — will testify to his warmth, his love of learning, and his great generosity." To the Kennedy School community, Dean Doug Elmendorf wrote: "I came to rely on Calestous' invincible good spirits in all of our conversations about his own work and about the Kennedy School's work regarding Africa. For all of Calestous' amazing accomplishments and contributions to the Kennedy School and to the world, he was always modest about what he had done and focused entirely on what he could do next. He was a true model for us all to aspire to." He will be greatly missed at M-RCBG and far beyond.

M-RCBG 2017 summer funding recipient: Jonathan Mazumdar, MPA/ID '18, Government of Rwanda, Kigali



Pictured above are Jonathan (r) and Alina Xu, a fellow HKS student who also worked in Rwanda this past summer.

This past summer I worked with the Rwanda Development Board (RDB), the apex government institution in Rwanda tasked with supporting private sector-driven economic growth. After many years working in impact investing in India, this was a new adventure in multiple dimensions – my first time in Africa and first engagement working directly with a government. Yet in many ways I was close to home given the HKS presence at RDB – the current (and prior) CEO is a MC-MPA alum and a recent MPA/ID serves as senior advisor.

Rwanda has experienced a phenomenal economic transformation since the genocide, with consistently high per capita income growth and an improved investment climate. The key challenge now is to develop modern, high-productivity export-oriented sectors to address the persistent current account deficit, continue the shift away from dependency on foreign aid in the public budget, and create jobs for a young population.

My experience with the RDB provided a unique opportunity to apply ideas at the leading edge of new industrial policy covered in the first-year core MPA/ID coursework – diagnostics to assess binding constraints to growth, analysis of economic complexity and high-potential opportunities for diversification, and smart policy design of appropriate means for government to address market failures. Moreover, it allowed me to apply my prior experience in early-stage venture investing within a government policy-making setting focused on increasing economic growth.

I spent the first few weeks compiling a comprehensive report for the president's office detailing RDB's historical and recent performance. This helped me get oriented and build relationships across departments within RDB as well as external ministries. For the remainder of the summer, along with a fellow MPA/ID colleague, we researched investment theses and developed policy recommendations for two high-priority nascent industries, cut flowers and garments. Ultimately the success of these sectors will depend on the dynamic entrepreneurs and dedicated policymakers in the country, but we hope to have contributed to RDB's work in developing new markets and attracting investment.

Recent op-eds from our faculty and affiliates



Carmen Reinhart at *Project Syndicate* on *The Long and Winding Road to a Haircut*: There are significant differences between Puerto Rico and Venezuela regarding the origins of their economic crises, their political systems, their relationship with the US and the rest of the world, and much else. Nonetheless, some notable similarities are likely to emerge as their debt sagas unfold... For starters, prompt resolution can be ruled out (or nearly so) in both cases. Initial restructuring terms often are too timid, relative to the haircut needed to restore solvency. As a result, restructuring efforts have often been piecemeal... While creditors should revise their expectations downward, the real tragedy is for ordinary citizens, for whom the restructuring process implies a protracted period of worsening impoverishment.



Deborah Gordon in the *Observer* on *Medicaid Work Requirements Are Bad Policy and Bad for People*: During my time at the Medicaid health plan, in searching for creative ways to attract new members while remaining compliant with Medicaid regulations, we discovered a list of

our state's employers with the largest Medicaid enrollment. We dubbed it the "Bad Employer" list, comprised of companies with a disproportionate number of part-time workers who did not qualify for health benefits, or who offered health benefits so skimpy or expensive that employees were forced onto public benefits for themselves or their families. If the administration's goal is to move people off of public benefits to cut the Medicaid budget, as Trump intends, a better policy focus might be to encourage employers to provide these 17.5 million Americans with private benefits, reducing the burdens on public programs. Perhaps these employers can allocate some of their substantial tax savings in 2018 in this direction.



Jason Furman at *Project Syndicate* on *The Right question About Inequality and Growth*: The relationship between inequality and growth has become a hot topic for economists, with new research challenging the conventional view that greater inequality

is the price that must be paid for higher output. But for policymakers, this debate is a distraction; the real question is how to assess outcomes and improve modes of distribution...Win-win policies – defined as distribution mechanisms that produce growth and reduce inequality simultaneously – are the easiest to evaluate, and the most advantageous to adopt. Education is a classic example. Reforms that cost little or no money, such as improving the quality of primary and secondary education, have been shown to encourage growth while ameliorating inequality.

To link to the full op-eds, visit www.mrcbg.org