

# Deloitte Review

ISSUE 6 | 2010

---

## Complimentary article reprint

---



### IF WE CAN PUT A MAN ON THE MOON

BY **WILLIAM D. EGGERS** AND **JOHN O'LEARY**  
> ILLUSTRATION BY **GLORIE FORLITI**

An excerpt from a new book on getting  
big things done in government

---

## Deloitte.

This publication contains general information only, and none of Deloitte Touche Tohmatsu, its member firms, or its and their affiliates are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

None of Deloitte Touche Tohmatsu, its member firms, or its and their respective affiliates shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

#### About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms.

Copyright © 2010 Deloitte Development LLC. All rights reserved.



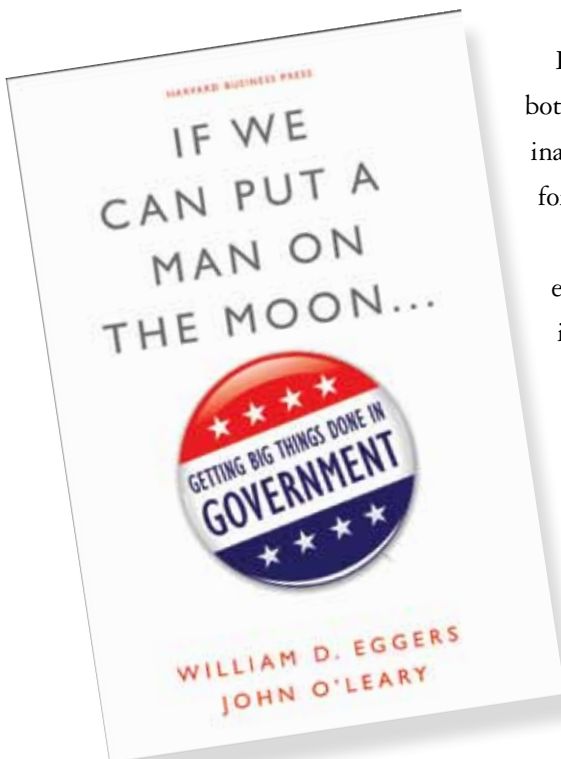
## IF WE CAN PUT A MAN ON THE MOON

BY WILLIAM D. EGGERS AND JOHN O'LEARY  
> ILLUSTRATION BY GLORIE FORLITI

An excerpt from a new book on getting big things done in government

*Politics is the art of the possible.*

— Attributed to Otto von Bismarck



If you haven't seen *Legally Blonde 2*, don't bother. It's nowhere near as good as the original. Plus, we're about to ruin the ending for you.

At the end of *Legally Blonde 2*, Reese Witherspoon's character, all pretty in pink, gives a speech before Congress, passionately calling for a new law outlawing animal testing in the cosmetics industry. To gain popular support, she wielded her considerable charm—the bill is distributed to members with a pink cover—and even organized a “Million Dog March” in Washington, led by her Chihuahua, Bruiser. These heroic efforts are needed be-

cause evil corporations that oppose the bill wield considerable influence with certain politicians, including a not-so-nice Sally Field, who plays a once idealistic but now jaded member of Congress. At last, when “Bruiser's Bill” is voted into law, there are cheers, tears, and high fives all around. It's a magical movie moment – in a lightweight, romantic-comedy sort of way.

Democracy moves slowly. Thus, any sort of action has something of the nature of the dramatic about it. The passage of a law is a special moment, a moment at which democratic possibility becomes reality. In an instant the world is changed. The vast power of the state will now be working to ensure that, in this case, no Chihuahuas will be harmed in the making of your mascara.

By design, our constitutional system of checks and balances puts up hurdles against change. The hurdles facing major changes are even higher. In the journey from idea to results, there is a moment at which the democratic process commits to an action, transforming the possible into the real. We call this moment of democratic commitment the “Stargate.”



A lot of good policy fails to become reality because it can't get through the political Stargate, and some pretty bad stuff gets baked into otherwise sound bills in order to win passage. The challenge is to get a policy through with your integrity unscathed, with your idea intact, and with a design that actually can be implemented.

For those unfamiliar with the term, *Stargate* is the name of a sci-fi movie and long-running television series. The Stargate is the show's main prop, a big circular ring that creates a wormhole in space (hey, it's sci-fi) such that when you walk through the Stargate, you instantly travel from one part of the universe to another. By taking a single step, you wind up in a strange new world, where the people are different, the customs are different, and a new set of bad guys is waiting to mess with you. Walking through the Stargate represents a serious commitment, because you can't just turn around and walk back. Getting through isn't easy, since the Stargate may be guarded by unsavory aliens, or it may be closed altogether.

The analogy should be clear. Everything prior to the Stargate occurs in the political universe, while beyond it lies the bureaucratic universe. Just as with the intergalactic Stargate, democratic commitment is usually instantaneous and irreversible. It's not easy to get through, either.

The closest thing to the Stargate in the private sector is a vote of the board of directors. Though there are similarities between the two, there are also big differences. A corporate CEO doesn't need the approval of the board for most business decisions, and the board isn't split along party lines. In contrast, almost every major democratic initiative must go through the Stargate, and it is right in front of the Stargate that some of democracy's most unsavory characters hang out – the unscrupulous lobbyists, influence peddlers, and bad-apple politicians looking to extract a toll. It is also where many of our nation's leading statesmen and stateswomen, from Henry Clay to Daniel Webster to Margaret Chase Smith have made their names advancing good laws and blocking bad ones. In government, you cannot navigate the journey from idea to results without going through the Stargate.

The “Stargate trap” refers to the distortion effect of this unique phase. A lot of good policy fails to become reality because it can't get through the political Stargate, and some pretty bad stuff gets baked into otherwise sound bills in order to win passage. The challenge is to get a policy through with your integrity unscathed, with your idea intact, and with a design that actually can be implemented.

#### THE SECRET RECIPE FOR CHANGE

The entire journey from idea to results is fraught with danger. Ideas are like seeds. In the biblical parable of the sower, some seeds land on rocky soil. Others are eaten by birds, and some sprout only to be choked by thorns. Only through a fortuitous combination of sun, soil, and water will a seed grow into a plant and bear fruit. In the policy realm, similar pitfalls await most ideas, and a similar happy coincidence of factors must be in place for the seed of an idea to take root and bear fruit in the political world.

Political scientist John W. Kingdon describes the conditions that must be in place for the seed of an idea to become reality in his 1984 book *Agendas, Alternatives, and Public Policies*.<sup>1</sup> Kingdon argues that three separate policy factors must converge. First, there must be a crisis, or at least a general perception of a problem in need of attention. It helps if this problem can be captured in some measurable change in a well-known indicator (unemployment rate, inflation rate, etc.) or if there is a catastrophic event that calls for action. Second, the idea must be under discussion as a potential solution to the problem. That is, some number of academics, specialists within the bureaucracy, associations, and think tanks must

see the idea as a viable alternative. Kingdon refers to the pool of ideas in play as a “policy primordial soup,” in which ideas float around until the right combination of circumstances arise. Third, there must be a political window of opportunity, a receptiveness among politicians to be open to bold alternatives to established practice. Kingdon stresses the importance of “coupling,” the magic moment when these three separate factors—a problem, an idea, and a political moment—come together. Important players in this process are the “policy entrepreneurs,” who attempt to create the circumstances under which this magic might happen. Just as a suitor might bring together his date, a couch, and a Barry White CD in the hopes of creating some magic, these policy entrepreneurs purposely try to create the conditions under which major political change can occur.

Policy entrepreneurs aren’t shy about taking advantage of misfortune to get their policy agenda through the Stargate. Following the fatal collapse of a bridge in 2007, *USA Today* reported that “the disaster on Minnesota’s busiest bridge—which carries 141,000 cars a day—raised hopes of more money for infrastructure in general.” The article noted that the American Society of Civil Engineers was estimating the government would need to spend \$1.6 trillion over five years to put its infrastructure, including bridges, in good condition. “Unfortunately, it takes a catastrophe to get us busy on some things,” said Sam Maggard, head of the Bridge Inspection Program at New Mexico State University.<sup>2</sup>

A policy entrepreneur might also promote crisis by means of data. In hopes of spurring reform, the 1983 federal report “A Nation at Risk” consciously used alarming language as well as powerful data to declare a crisis in American education.<sup>3</sup> Not much came of it. That’s because a crisis alone often isn’t sufficient to make reform possible. When ideological differences run deep, it may require a novel approach to break the gridlock that prevents a policy change from making it through the Stargate.

## REDUCING ACID RAIN: BREAKING THE IMPASSE

**A**cid rain was the environmental mega-issue of the 1980s. Caused when industrial smokestacks spew forth airborne nitrogen and sulfur, which then mixes with rain and falls back to earth, acid rain was known to kill fish, render lakes sterile, and drive species to extinction; only later was it learned that its vastly more important impacts were on human health through acidified particulates.<sup>4</sup>

Despite all the tangible evidence, efforts to reduce sulfur dioxide emissions went nowhere in the 1980s. Members of Congress introduced more than seventy bills aimed at controlling acid rain. Not one of them made it through the Stargate to become law.<sup>5</sup> These bills were enthusiastically opposed by industry, which had

the support of both the Reagan White House and Midwestern politicians of both parties who believed that the proposed regulations would devastate coal producers and electric utilities in their states. The opponents had a point, as the remedies proposed were often heavy-handed regulations that gave little regard to the impact on business. “There was an assumption that the more it pained industry, the better for the environment, because industry was evil and the more you hurt them, the more you helped the environment,” says Fred Krupp, president of the Environmental Defense Fund (EDF).<sup>6</sup> Founded by a small group of scientists, the EDF had been fighting on the front lines of the environmental movement since 1967, pairing science-based analysis of environmental issues with tough legal advocacy.



Despite all the tangible evidence, efforts to reduce sulfur dioxide emissions went nowhere in the 1980s. Members of Congress introduced more than seventy bills aimed at controlling acid rain. Not one of them made it through the Stargate to become law.



By 1988, precious little in the way of constructive dialogue was taking place. Everyone acknowledged the damage that acid rain was doing, but nothing was being done about it.

Into this logjam stepped two senators: H. John Heinz III, a moderate Republican from the coal-producing state of Pennsylvania, and Timothy E. Wirth, a liberal Democrat from Colorado with strong environmental leanings. Heinz and Wirth represented the two sides of the acid rain debate: East versus West, Republican versus Democrat, high-sulfur state versus low-sulfur state. “Jack represented one world; I represented the other,” says Wirth.<sup>7</sup>

Politically, Heinz and Wirth should have been on opposite sides of the acid

rain issue. They probably would have been except for a curious set of personal circumstances that linked them. The two senators had been close friends since attending high school together at Phillips Exeter Academy. Their families socialized together, and they shared a passion for the environment. Perhaps most important, both of their wives, Teresa Heinz and Wren Wirth, served on the Board of Trustees of the Environmental Defense Fund.



Thanks to overcompliance, the price of an allowance dropped from about \$150 per ton in 1994 to as low as \$65 in 1996. This meant not only less pollution, but lower cost to industry. With a 40:1 benefit-to-cost ratio and 40 percent reduction in sulfur dioxide emissions, the acid rain program is considered one of the more successful environmental programs of all time.

One spring evening in 1988 over coffee at the Palm Court in New York's Plaza Hotel, the two couples, along with EDF attorney David Roe, were lamenting how the environment wasn't even on the radar screen in the presidential campaign. To remedy this they hatched the idea of Project 88, an initiative to introduce into the campaign debate new ideas on the environment.<sup>8</sup> Roe suggested the senators talk to a young economist named Robert Stavins, who had worked at EDF on market approaches to environmental problems and was now finishing up his PhD at Harvard. Within a week, the two couples helped raise \$100,000 to get Project 88 off the ground and signed up Stavins as the research director.<sup>9</sup>

To have any impact on the candidates in the 1988 election, Stavins knew they would have to release a report quickly. A newlywed at the time, Stavins promptly cancelled his hiking trip out West with his new bride and, in a real show of commitment, this dedicated baseball fan sacrificed a summer of watching his beloved Red Sox to Project 88. To produce a quality report quickly, he enlisted the help of a number of other academics. “I was an economist, so the people I tended to reach out to were economists,” recalls Stavins, whose social circle includes a lot of economists, including his forbearing wife.<sup>10</sup> This was critical. Stavins in essence brought new voices to a debate that had been dominated by two intractable sides – environmentalists and industry.

Stavins and Project 88 adopted as their starting point the environmentalists’ stated goal of reducing acid rain by 50 percent. But Stavins and his buddies approached the problem like economists, meaning they looked at incentives, considered trade-offs, and had the non-utopian outlook famously associated with practitioners of the “dismal science.” They didn’t think in terms of saving the earth or zero emissions. They thought about how they might craft incentives that would encourage polluters to balance marginal cost and marginal benefit. Not surprisingly, Stavins’s Project 88 proposal for dealing with acid rain broke with policy orthodoxy. Gone were the traditional regulatory proposals so despised by industry.

Project 88’s approach of “tradable emission permits” (now known as “cap and trade”) offered much greater flexibility. Government would dictate the overall pollution limit, but would leave it up to the market to determine how to meet those limits. In the case of acid rain, government would cap the amount of pollutants that fossil-fueled power plants could emit.<sup>11</sup> Energy producers could then use any methods they wanted to meet the target. Additionally, energy producers had a strong incentive to reduce emissions *below* the target level, since by doing so they could sell the excess emissions allowance to another firm – or to environmental groups seeking to “retire” the allowance.<sup>12</sup>

The acid rain proposal was the most important idea in Project 88. It changed the politics of the issue by offering a way to break the longstanding impasse between environmentalists and business on acid rain.

As a candidate for president in 1988, Vice President Bush wanted to distinguish himself from President Reagan on several high-profile issues. During the campaign, Bush pledged to cut acid rain emissions.<sup>13</sup> Bush’s positioning on environmental issues was heavily influenced by C. Boyden Gray, his counselor and close confidante. “Boyden Gray fell in love with the idea of tradable permits,” says Senator Wirth.<sup>14</sup> Soon after the election, Stavins got a call from Gray seeking a meeting. The Bush White House and the environmentalists had something to discuss.

With the Bush White House getting on board, Congress now had to be convinced to go along. The flexibility of the bill made it less onerous on industry, and Heinz managed to convince some of his colleagues in the Senate Coal Caucus to support, for the first time ever, a bill that would reduce acid rain emissions. The reality was that the tradable permit program would cost some mining jobs in Pennsylvania and other high-sulfur coal states. Still, it was far preferable to any alternative on the table, so about half the caucus ended up supporting tradable permits.<sup>15</sup> Somewhat surprisingly, another roadblock was the environmental groups. Many hated the idea of tradable permits, calling them a license to pollute. To this charge, Senator Heinz had a clever response: “They have always had the right to



pollute; now we're going to charge them for it.”<sup>16</sup> The environmental community eventually came to terms with the bill because it delivered on their goal of reduced emissions.

The elegant simplicity of the policy design made it easier to get through Congress. “There was only one political decision,” says Wirth. “Where is the cap going to be?” Once the overall limit was set, members of Congress could do their horse trading on the regional distribution of allowances without having a negative effect on the overall environmental integrity of the program.

The acid rain tradable permit program became law as part of the Clean Air Act Amendments of 1990. It has been a massive success. More than 18 million permits were traded in Phase I, resulting in a net *overcompliance*.<sup>17</sup> Not only did firms voluntarily participate in the program, but third parties also purchased and retired permits.<sup>18</sup> Thanks to overcompliance, the price of an allowance dropped

from about \$150 per ton in 1994 to as low as \$65 in 1996.<sup>19</sup> This meant not only less pollution, but lower cost to industry. With a 40:1 benefit-to-cost ratio and 40 percent reduction in sulfur dioxide emissions, the acid rain program is considered one of the more successful environmental programs of all time.<sup>20</sup>

Project 88 illustrates the power of the policy “mash-up”: combining two ideas drawn from two different sides to break a political logjam. The acid rain program succeeded because Heinz and Wirth were willing to consider ideas from diverse sources without prejudice, without sacrificing the integrity of their principles. EDF and Stavins, the intellectual forces behind the idea, bucked the orthodoxy of environmental advocates and traditional business interests alike to create a highly original solution. By bringing in the perspective of economists, policy makers broke a logjam that held back progress on acid rain for years.

---

*William D. Eggers is a global director for Deloitte Research, Deloitte Services LP, and director of the Deloitte Public Leadership Institute.*

*John O’Leary is a Research Fellow at the Ash Institute for Democratic Governance and Innovation at the Harvard Kennedy School.*

*Reprinted by permission of Harvard Business Press. Excerpted from If We Can Put A Man on the Moon: Getting Big Things Done In Government. Copyright © 2009 Deloitte Development LLC and John O’Leary; All Rights Reserved.*

#### Endnotes

1. John W. Kingdon, *Agendas, Alternatives, and Public Policies* (Boston: Little Brown, 1984)
2. Rick Hampson, Dennis Cauchon, and Paul Overberg, “Officials See New Urgency to Improve USA’s Bridges,” *USA Today*, August 2, 2007, updated August 6, 2007, [http://www.usatoday.com/news/nation/2007-08-02-bridge-cover\\_N.htm](http://www.usatoday.com/news/nation/2007-08-02-bridge-cover_N.htm).
3. National Commission on Excellence in Education, “A Nation at Risk: The Imperative for Educational Reform,” April 1983, <http://www.ed.gov/pubs/NatAtRisk/index.html>.
4. U.S. Environmental Protection Agency, “Acid Rain,” <http://www.epa.gov/acidrain/index.html>.
5. *Ibid.*, 7.
6. *Ibid.*, 27.
7. Senator Tim Wirth, interview with the authors, March 2009.
8. McCauley et al., “Crossing the Aisle to Cleaner Air,” 11.
9. *Ibid.*
10. Robert Stavins, interview with the authors, March 2009.
11. “U.S. Environmental Protection Agency, “EPA Clean Air Markets: About the Acid Rain Program,” <http://www.epa.gov/airmarkt/progsregs/arp/basic.html>.
12. A. D. Ellerman, P. L. Joskow, R. Schmalensee, et al., *Markets for Clean Air: The U.S. Acid Rain Program* (Cambridge, MA: Cambridge University Press, 2000), 12. The program’s establishing rule was promulgated in 1995; it consisted of two phases. Phase I, spanning 1995 to 1999, capped emissions on power plants generating more than 100 megawatts; Phase II, starting in 2000 and continuing indefinitely, caps emissions on power plants generating at least 25 megawatts of power.
13. *Ibid.*, 16–17.
14. Senator Tim Wirth, interview with the authors, March 2009.
15. McCauley et al., “Crossing the Aisle to Cleaner Air,” 29.
16. *Ibid.*
17. Ellerman et al., *Markets for Clean Air*.
18. Juan Pablo Montero, “Voluntary Compliance with Market-Based Environmental Policy: Evidence from the U.S. Acid Rain Program,” *Journal of Political Economy* 107, no. 9, 1999.
19. McCauley et al., “Crossing the Aisle to Cleaner Air,” 33.
20. Lauraine G. Chestnut and David M. Mills, “A Fresh Look at the Benefits and Costs of the U.S. Acid Rain Program,” *Journal of Environmental Management* 77, no. 3, May 2005. Also see McCauley et al., “Crossing the Aisle to Cleaner Air,” 34.