



William G. Gale (center), vice president and director of Economic Studies, speaks on Main Street issues at an Opportunity 08 event as Senior Fellow Ron Haskins (right) listens.



Economic Studies

When turmoil in the financial markets began to shake the U.S. economy in late 2007, the Economic Studies program responded quickly and with major impact. Collaboration across the program produced a rapid-fire series of events, papers, opinion pieces, meetings, and congressional testimony that helped shape a bipartisan stimulus package in time for effective delivery of rebate checks in the spring. Program experts also studied the regulatory roots of the housing crisis to begin to advise policy-makers on the harder and longer-term challenge of how to stabilize the market and avoid future crises.

Brookings economists advised both the administration and Congress as the economic crisis escalated in fall 2008, especially on issues of credit, liquidity, and the housing market. During this economically difficult year, Economic Studies experts also produced new analyses and policy proposals ranging from tax changes to health care reform.

Stimulating the Economy

The U.S. economic slowdown spurred Brookings experts to respond with practical policy advice grounded in solid research throughout the tumultuous year. The Hamilton Project, the Urban-Brookings Tax Policy Center, and the Initiative on Business and Public Policy coordinated some of the best and most influential thinking on the early economic distress signs.

In December 2007, toward the beginning of the crisis, Brookings hosted speeches by Brookings Trustee and former Treasury Secretary Lawrence H. Summers and Sen. Charles Schumer of New York on the looming slowdown and subprime mortgage problems. Summers's call for a "timely, temporary and targeted" stimulus was echoed in the media and across Capitol Hill.

In January, the Hamilton Project hosted a discussion featuring Senior Fellows Jason Furman; Douglas Elmendorf, the Edward M. Bernstein Scholar; and Alice Rivlin, who were joined by former Treasury Secretary Robert Rubin, Harvard economist Martin Feldstein, and Moody's economist Mark Zandi. Elmendorf and Furman released a strategy paper, "If, When, How: A Primer on Fiscal Stimulus," at the event, and it quickly became a principal reference in the flurry of decision maker and public interest that followed. On January 24, the same day that the agreement between the congressional leadership and the White House was announced, the Tax Policy Center released the first distributional and revenue effects of the competing stimulus packages.



Rebecca Blank outlines her plan for helping mothers disconnected from welfare and the workforce.

RALPH ALSWANG

As the financial crisis deepened, Elmendorf and Senior Fellows Martin Neil Baily and Robert Litan examined sources of the mortgage and broader credit problems and evaluated appropriate policy responses. They released a comprehensive analysis of the credit crisis at a public forum in May that included opening remarks from FDIC Chairman Sheila Bair.

To address the global ramifications of the U.S. housing crisis,

Baily hosted a breakfast event with the British Embassy featuring the British Chancellor of the Exchequer, the Right Honorable Alistair Darling. His presentation focused on the need for the International Monetary Fund to develop better international “early-warning systems” for financial market problems.

The Brookings Papers on Economic Activity were presented at a conference in April 2008 under the new editorial team of

Elmendorf, Summers, and Greg Mankiw, the former chairman of the Council of Economic Advisers under President George W. Bush. It featured an outstanding lineup of papers and participants, including Federal Reserve Chairman Ben Bernanke, who spoke at dinner the first night.

Building a Best-in-Class Team

“I took on the leadership of this program with the primary goal of attracting a new generation of top-tier economists who are capable of doing the very best research and who have an impact in the policy arena,” said William G. Gale, vice president and director of Economic Studies and the Arjay and Frances Fearing Miller Chair in Federal Economic Policy. “The scholarship and influence of the current team will prove particularly vital over the coming months as a new administration

takes the reins and the 111th Congress takes shape.”

Among the existing lineup of Economic Studies experts are some new faces:

Baily rejoined Brookings as a senior fellow in the fall of 2007. After his first stint at Brookings, Baily served as the chairman of President Clinton’s Council of Economic Advisers. Baily directs Brookings’s new Initiative on Business and Public Policy.

Rebecca M. Blank, a highly regarded expert on social policy, joined Economic Studies in 2008 as the Robert S. Kerr Senior Fellow. Blank was previously dean of the Gerald R. Ford School of Public Policy and co-director of the National Poverty Center at the University of Michigan.

Health Care Policy

The Engelberg Center for Health Care Reform is making major



Mark B. McClellan, director of the Engelberg Center for Health Care Reform and the Leonard D. Schaeffer Chair.

ARTHUR DURITY

BROOKINGS EXPERTS ON HEALTH CARE

Fellow Mark McClellan, the former head of the Food and Drug Administration and the Centers for Medicare and Medicaid Services, as its founding director.

The Engelberg Center hosted several well-attended events this year featuring experts from the policy, academic, advocacy, and provider communities. Former House Speaker Newt Gingrich joined Congressional Budget Office Director Peter Orszag and other distinguished congressional panelists in a briefing on long-term care reform that focused on opportunities to improve quality and address long-term fiscal challenges. Another forum addressed the key challenges and possible solutions regarding prescription drug safety.

Other research in Economic

Studies contributed important policy recommendations and tools. Noted health care expert Henry Aaron tackled health spending and Medicare, notably in a new book with Jeanne Lambrew, *Reforming Medicare: Options, Tradeoffs, and Opportunities* (Brookings, 2008). The Center on Social and Economic Dynamics garnered recognition for work in infectious disease policy research, winning an award for a modeling and simulation appli-



Trustee Leonard Schaeffer and his wife, Pamela.

JAC SCHAEFFER



Trustee Alfred Engelberg

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cation to help plan emergency vaccine distributions.

The Global Economy and Development program is studying innovations in global health financing that will be fundamental in the near future to facilitate improving health outcomes in developing countries. Their research on HIV/AIDS treatment and malaria prevention highlight the importance of practical, sustainable methods in combating these diseases. ■



Britain's Right Honorable Alistair Darling MP (left), after delivering remarks on international coordination of financial events, walking with Martin Baily (far right), British Ambassador Sir Nigel Sheinwald and Congressional Budget Office Director Peter Orszag.

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strides thanks to the generosity and vision of Trustees Alfred B. Engelberg and Leonard D. Schaeffer. Under the direction of former FDA Commissioner and Medicare and Medicaid Administrator Mark McClellan, who holds the Leonard D. Schaeffer Director's Chair in Health Policy, the center is working to promote high-quality, innovative, and affordable health care.

A public forum in June on prescription drug safety included an overview of current FDA regulations and a review of technical, legal, and communications challenges that arise in this area.

Especially as baby boomers start to retire, the Medicare program has come under scrutiny for its costs, coverage gaps, and bureaucratic rigidity. To help guide the debate that will shape much-needed reform, Senior Fellow Henry J. Aaron, the Bruce and Virginia MacLaury Chair, co-authored *Reforming Medicare: Options, Tradeoffs, and Opportunities* (Brookings, 2008). At an event in July, Aaron and co-author Jeanne M. Lambrew were joined by advocates of the three reform strategies outlined in the book—strengthened social insurance, premium choice, and

consumer-directed health care.

Joshua M. Epstein, director of the Center on Social and Economic Dynamics, was recognized this year for his work on the Large-Scale Agent Model, which is used for detailed tracking of epidemic dynamics and the exploration of how public health policy interventions may slow the spread of contagious diseases and chronic public health challenges. The model won the 2008 Award for “Outstanding Achievement in Modeling and Simulation” from the National Training and Simulation Association. Epstein was awarded a 2008 National Institutes of Health Director's Pioneer Award.

From Mobility to Retirement

Brookings's work on social policy also had significant impact this year. The American dream is not equally accessible for black and white families, Fellow Julia B. Isaacs found in a study that received enormous media attention in November 2007. Her intergenerational analysis revealed a significant difference in the extent to which parents pass their economic advantages to their children. Children of middle-class white parents tend



Douglas W. Elmendorf (left) discusses the nation's infrastructure needs with Virginia Gov. Tim Kaine.

STEVEN PURCELL

to exceed their parents in income; black children in middle-class homes do not.

Isaacs's findings were included in a new volume, “Getting Ahead or Losing Ground: Economic Mobility in America.” Isabel V. Sawhill, senior fellow and the Cabot Family Chair, wrote about the tattered American dream and Ron Haskins, senior fellow and co-director with Sawhill of the Center on Children and Families, released new information on immigration and education.

Following publication of the next generation of anti-poverty policies in the Princeton-Brookings journal based on the *The Future of Children* symposium, Sawhill and Haskins

worked with New York City Mayor Michael Bloomberg and convened a group of top experts and city officials on poverty and how it is measured.

The Retirement Security Project, led by William Gale, continued to develop and inform common-sense reforms to improve the retirement income prospects of millions of American workers. Elements of the agenda were incorporated into presidential campaign proposals and into bipartisan congressional legislation.

Tax and Fiscal Policy

The Budgeting for National Priorities project led by Sawhill and Haskins flourished this year with support and input from Trustees Geoffrey T. Boisi and Leonard Schaeffer and from Brookings Council members such as Rob Marks and Ned Lamont. Through the Fiscal Wake-Up Tour, program experts have engaged with audiences in more than 25 cities, reaching local elected officials and community leaders. Events in these cities have been covered by local radio, television, and newspapers.

Both Rivlin and Sawhill are featured on-camera in the feature-length documentary *I.O.U.S.A.*, which premiered at the 2008 Sundance Film Festival and opened at movie theaters nationwide in August. The movie drives home the message that America is facing a longer-term financial problem.

The Tax Policy Center, also co-directed by Gale, continued to serve as a key source of information on tax policy, convening 11 public policy symposia, offering advice to Congress, and publishing more than 50 discussion papers, policy briefs, and other commentaries. ■