CONTENTS

6 Economic Studies
10 Global Economy and Development
14 Governance Studies
27 Katrina’s Lessons in Recovery
18 Foreign Policy Studies
39 Brookings Institution Press
24 Metropolitan Policy
40 Center for Executive Education

2 About Brookings
4 Chairman’s Message
5 President’s Message
10 Economic Studies
14 Governance Studies
18 Foreign Policy Studies
24 Metropolitan Policy
28 Support for Brookings
31 Brookings Council
36 Honor Roll of Contributors
39 Brookings Institution Press
40 Center for Executive Education
42 Financial Summary
44 Trustees

6 Economic Studies
24 Metropolitan Policy
28 Support for Brookings
39 Brookings Institution Press
40 Center for Executive Education

The Brookings Institution is a private nonprofit organization devoted to independent research and innovative policy solutions. Celebrating its 90th anniversary in 2006, Brookings analyzes current and emerging issues and produces new ideas that matter—for the nation and the world.

- For policymakers and the media, Brookings scholars provide the highest-quality research, policy recommendations, and analysis on the full range of public policy issues.
- Research at the Brookings Institution is conducted to inform the public debate, not advance a political agenda. Our scholars are drawn from the United States and abroad—with experience in government and academia—and hold diverse points of view.
- Brookings traces its beginnings to 1916, when a group of leading reformers founded the Institute for Government Research (IGR), the first private organization devoted to analyzing public policy issues at the national level. In 1922 and 1924, one of IGR's backers, Robert Somers Brookings (1850-1932), established two sister organizations: the Institute of Economics and a graduate school bearing his name. In 1927, the three groups merged to form the Brookings Institution, honoring the businessman from St. Louis whose leadership shaped the earlier organizations.
- Today, Brookings is financed largely by an endowment and through the support of philanthropic foundations, corporations, and private individuals. The Institution's funds are devoted to carrying out its research and educational activities. Brookings also undertakes a small number of unclassified government contract studies, reserving the right to publish its findings from them.
- A Board of Trustees is responsible for the general supervision of Brookings, approval of its areas of investigation, and the safeguarding of the independence of its work. The Institution's president is its chief executive officer, responsible for formulating and setting policies, recommending projects, approving publications, and selecting staff.
CHAIRMAN’S MESSAGE

John L. Thornton, Brookings chairman

This has been an especially busy and productive year at Brookings. As you will see in the pages that follow, our scholars tackled some of the most important and daunting issues facing our nation: how to budget our resources to deal with the rising cost associated with homeland security and health care; how our cities and states might govern themselves efficiently; and how to ensure the vitality of American democracy and restore credibility to our public discourse and political debate—a part of our mission that will become all the more evident as the country heads into the 2006 midterm elections and the 2008 presidential race.

In our work on America’s role in the world, we have continued to produce important scholarship while also building new capacity. In two areas of deep personal interest to me, it was an exciting year: during a visit to Washington in May, former South African president Nelson Mandela visited Brookings as a platform for a major speech urging more aid for Africa—and more wisdom on the part of African governments in the way they use that aid. And in September, we launched our China Initiative.

I have a strong commitment to the study of China—in part, in present, and, most of all, in future. From that perspective, I am concerned that most Americans, including many thought-leaders, do not know very much about China or the unprecedented pace with which it is defining itself as a formidable global force.

What is occurring and will occur in China is of enormous significance, and raises fundamental questions. How will it affect the lives of the Chinese people? What changes will the Chinese government need to make? How will developments in China affect the rest of the world, and particularly the United States? What adjustments and accommodations will we need to make?

The scholar of the China Initiative at Brookings, adopting an interdisciplinary approach involving all the research programs, will examine these questions, and many more, and will share their conclusions and recommendations with the policy-making community and the public, both in the United States and in China. Because the Initiative will be conducting research and providing advice to policymakers in both countries, it intends to have functioning offices in both Washington and Beijing.

The selection of Jeffrey Bader to be director of the China Initiative was a superb choice. During his 27 years in the State Department, Jeffrey served in Beijing, Hong Kong, and Taiwan, so he has first-hand experience in that vital region. He has been deputy assistant secretary of state for East Asian affairs and director of Asian affairs on the National Security Council. And he has served as Assistant United States Trade Representative, responsible for China, Taiwan, Hong Kong and Mongolia.

Like our other research programs and policy centers, this new venture will generate research, analysis and policy prescriptions in an independent, nonpartisan spirit, and in a form that is accessible and useful to the public and policymakers alike. I invite you to avail yourselves of our work. It’s in print, in the form of publications and books, and on our Web site—www.brookings.edu. And you’ll be seeing and hearing plenty from our scholars on television, on the radio, and on the op-ed pages around the country and the world. You’ll find their ideas reflect a lot of careful, constructive thought.

In the year after a Presidential election is always especially important. After a long and bruising campaign, can the nation unite? And can political leaders get back to the task of governing at home and leading abroad? The world waits, with a mixture of hope and apprehension, for the answer.

In 2005, party spokesmen, as usual, pledged to put the battle behind them. But the spirit of reconciliation and common purpose evaporated quickly. On Capitol Hill, the wrangle over filibusters deteriorated to the point where debate was talk of “going nuclear.” In that conductive atmosphere the Senate suddenly had to provide its advice and consent on nominations to fill two vacancies on the Supreme Court—the first time in eleven years that any seat had opened up.

Then there was Katrina. While the hurricane devastated the Gulf Coast, the immediate aftermath generated a nationwide outburst of “blame-storming” over everything from Katrina’s devastation, climate change, and, most shamingly, poverty and race.

A full three years before the next presidential election, the race was on. Several Democrats made their ambitions clear, and a few Republicans appeared to be running not just for the presidency, but away from the current incumbent.

All this posed a particular challenge for us at Brookings, given our commitment both to civil political discourse, and to providing high-quality, high-impact, independent research and recommendations. Up to the occasion, our scholars collaborated more than ever, both internally and with colleagues elsewhere on Think Tank Row.

Several new or enhanced programs focused on the home front. We stepped up our economic work through our Retirement Security Project. We entered the fray on the issue of judicial selection, and began to examine the relationship between the courts and Congress. We launched a new Center on Children and Families. And through our Metropolis Policy program, we provided prompt, practical suggestions on rebuilding the Gulf Coast. Meanwhile, our Governance Studies program undertook a major new effort to identify the causes of—and come up with remedies for—the problem of excessive and corrosive partisanship.

In 2006, Brookings will celebrate its 90th anniversary. We plan to use the year to consolidate our strengths with an eye to the future. We’re confident that in doing so, we will provide fresh evidence to our friends that their trust is well placed.
The numbers are staggering. The stakes are enormous. With an annual budget deficit of more than $300 billion, the United States is reducing federal spending on children’s health and education programs, straining to cover the retirement and medical needs of an aging population, and fighting the tide of rising government debt. Meeting these policy challenges and others head on, the Brookings Economic Studies program continued its leadership role in drawing public attention to the critical fiscal problems this nation faces.

And because the next generation will bear the brunt of these policy decisions, it’s fitting that the Economic Studies program launched its new Center on Children and Families this year. The Center builds on the Institution’s landmark work on welfare reform, a nearly decade-long examination of Washington’s far-reaching redesign of federal aid programs to the poor. Brookings turned its research and outreach to focus on why many of the nation’s low-income families—though no longer on welfare rolls—remain far from the middle class.

Isabel V. Sawhill, Brookings vice president and director of the Economic Studies program, launched the Center in September 2005 with co-director Ron Haskins, a Brookings senior fellow who helped write the 1996 welfare law and continued his policy work under President Bush.

“Too many people are in low-wage jobs and their struggles continue,” Sawhill said. “We intend to address what types of policies might improve their lives and their children’s futures.”

The Center developed a post-welfare reform road map of other issues that affect poor and low-income working families and have become increasingly important—including early education, the Earned Income Tax Credit and other forms of income supplements, transportation, asset accumulation, job advancement, and social mobility.

The scholars promise to play an active role in studying ways to increase the proportion of children who grow up with parents who are married and reminding policymakers to consider children’s futures when making difficult fiscal choices on long-term budget deficits and the health care and retirement needs of the aging baby-boom generation.

“The government needs to uphold its side of that bargain, as well, which is: If you work, you shouldn’t be poor,” said Sawhill.

The scholars’ work on children and families was significantly...
extended through a new partnership with Princeton University. The Future of Children is a new, jointly published journal promoting effective policies and programs for children. The inaugural volume, released in spring 2005, critically summarized research on the origin and status of racial and ethnic gaps in student achievement, raising questions on when differences begin to emerge, what factors contribute to their development, and, most important, what can be done about them.

The journal and Center are among Economic Studies’ successes in launching new projects, attracting new scholars, and contributing to the program’s growth. This year, Economic Studies scholars published 13 new books with the Brookings Press. They were cited in numerous stories in the news media, wrote opinion articles, testified at formal congressional hearings, and made presentations at a wide variety of academic, industry, and think-tank-sponsored conferences and public meetings. The Budgeting for National Priorities project, and extensive research on the aging of the population and Social Security, all major roles in the fiscal debate dominating the domestic agenda. The Center on Social and Economic Dynamic (CSED) pioneered new ways of studying issues such as biotechnology, pan-ethnic identity, debt, and smoking. And numerous Economic Studies scholars collaborated with their colleagues in other programs to examine global economic issues focusing on China, India, Japan, Russia, and Puerto Rico; political obstacles to fiscal responsibility, and the impact of federal economic policy on states and local communities.

But it was the U.S. budget deficit that framed the fiscal agenda issue in 2005. In April, the Economic Studies program released its second book on the federal budget deficit, Restoring Fiscal Sanity 2005: Henry’s Leap before the Chase. This book—edited by Sawhill and senior fellow Susan Collins—focused on the tough choices that Americans will have to make in the next several decades as the population ages and medical costs skyrocket. Contributors included senior fellows Henry Aaron, Bill Gale, Retu Harwit, and Peter Orszag; visiting fellow Jack Meyer; John Shoven from Stanford University; and Randolph G. Penner and C. Eugene Steuerle, senior fellows at the Urban Institute. Authors suggested specific steps to increase government revenue and reduce spending; and recommended that lawmakers extend entitlement programs Medicare, Medicaid, and Social Security. The project drew heavily on the data and analysis of the Urban-Brookings Tax Policy Center, which continued to be the most widely cited and influential source of data and research on the current debates on extending the recently enacted tax cuts; making the tax system more fair, more simple, and more efficient; and using the tax code to achieve various economic and social objectives.

The Tax Policy Center’s findings were repeatedly cited in major newspapers and in numerous congressional reports. So what did authors with such a variety of disciplines and approaches agree on in terms of restoring fiscal sanity? Policy changes should be made sooner rather than later to avoid jaw-dropping reductions in the level of current benefits. Social Security cannot be fixed with gimmicks. And national savings must increase. Authors discussed their disagreements in the book and in a public forum announcing the book’s publication: whether building up a larger trust fund would contribute to national saving and would reduce the overall budget imbalance, and whether individual accounts should replace part of Social Security.

Striving to find policy solutions and common-sense reforms to boost retirement security, Brookings’s new Retirement Security Project delved into ongoing research that featured a randomized field experiment with tax giant H&R Block to examine whether, and at what level, matching funds would encourage moderate- and low-income households to contribute to their retirement savings. “For the first time, we have been through a randomized field experiment what we had unbelievably thought to be true—that middle- and lower-income earners will put away funds for retirement if it’s easy and if effective incentives are offered,” said senior fellow Orszag, director of the Retirement Security Project. The Pew Charitable Trusts increased its commitment to the Retirement Security Project by providing more than $1 million over two years.

In the field experiment, researchers examined the records of 15,000 St. Louis-area taxpayers who volunteered for the project. The study showed that IRA contributions were four to eight times higher when people were offered matching rates of 20 percent to 50 percent for those contributions. Researchers offered important revelations at a time when $10,000 is the midpoint balance of 401(k) and individual retirement accounts combined for boomers on the verge of retirement, and demonstrated that lower-wage workers will need more incentives to contribute to their retirement accounts. The project gained attention from the actuarial community as well, as a way to encourage lower-wage workers to contribute to their retirement if it’s easy and if effective incentives and assistance are offered. The project has become a model for other programs to encourage retirement contributions and demonstrated the importance of effective incentives and assistance.

The Economic Studies program at Brookings.

At Brookings she has focused on international economics, development issues—she’s had real-world experience working with a think tank on the island, called the Center for the New Economy, that was modeled somewhat after Brookings—and about the specifics. The idea for the Puerto Rico project at Brookings originated with a think tank on the island, called the Center for the New Economy. Officials at the Center, modeled somewhat after Brookings, approached the Economic Studies program, saying they were looking for a “quadrilateral approach” to the analysis of economic problems and solutions for Puerto Rico. Developing reliable data and statistics was a key goal. Funding for the project came entirely from sources in Puerto Rico. Collins said she hopes her findings and recommendations will have “real-world relevance” which will help the island’s economy.

The Economic Studies program at Brookings.

S

usan Collins had a platinum grade at the Brookings Trade Forum, Globalization, Poverty, and Inequality. Her work on Puerto Rico, a U.S. commonwealth, focuses on the island’s economy—which grew rapidly in the 1950s, 1960s, and into the 1970s. But in the mid-1970s that rapid expansion stopped and Puerto Rico’s econ- omy has been sluggish ever since. Collins visited Puerto Rico several times, attending a number of conferences that brought together scholars and policymakers from Puerto Rico and the United States. “Why did growth fall apart there?” Collins said. “The main thing I learned was about the issues. The experts from Puerto Rico had a lot more questions about the issues. They know about the history and about the specifics.” Collins was co-editor (with Lael Brainard), vice president and director of the Global Economy and Development Center, and council of the 2005 volume of the Brookings Trade Forum, Offshoring White-Collar Work—The Issues and the Implications, to which 23 international experts contributed articles. The publication presented analyses covering the implications of offshoring for U.S. workers and U.S. competitiveness, overseas call centers, India’s rise as a service provider, and other topics. Many of the contributors in the Collins Brainard volume presented their papers at a one-day conference at Brookings in May 2005. Collins also was co-editor, with

So what did authors with such a variety of disciplines and approaches agree on in terms of restoring fiscal sanity? Policy

changes should be made sooner rather than later to avoid jaw-dropping reductions in the level of current benefits. Social Security cannot be fixed with gimmicks. And national savings must increase. Authors discussed their disagreements in the book and in a public forum announcing the book’s publication: whether building up a larger trust fund would contribute to national saving and would reduce the overall budget imbalance, and whether individual accounts should replace part of Social Security.

Striving to find policy solutions and common-sense reforms to boost retirement security, Brookings’s new Retirement Security Project delved into ongoing research that featured a randomized field experiment with tax giant H&R Block to examine whether, and at what level, matching funds would encourage moderate- and low-income households to contribute to their retirement savings. “For the first time, we have been through a randomized field experiment what we had unbelievably thought to be true—that middle- and lower-income earners will put away funds for retirement if it’s easy and if effective incentives are offered,” said senior fellow Orszag, director of the Retirement Security Project. The Pew Charitable Trusts increased its commitment to the Retirement Security Project by providing more than $1 million over two years.

In the field experiment, researchers examined the records of 15,000 St. Louis-area taxpayers who volunteered for the project. The study showed that IRA contributions were four to eight times higher when people were offered matching rates of 20 percent to 50 percent for those contributions. Researchers offered important revelations at a time when $10,000 is the midpoint balance of 401(k) and individual retirement accounts combined for boomers on the verge of retirement, and demonstrated that lower-wage workers will need more incentives to contribute to their retirement accounts. The project gained attention from the actuarial community as well, as a way to encourage lower-wage workers to contribute to their retirement if it’s easy and if effective incentives and assistance are offered. The project has become a model for other programs to encourage retirement contributions and demonstrated the importance of effective incentives and assistance.

The Economic Studies program at Brookings.

S

usan Collins had a platinum grade at the Brookings Trade Forum, Globalization, Poverty, and Inequality. Her work on Puerto Rico, a U.S. commonwealth, focuses on the island’s economy—which grew rapidly in the 1950s, 1960s, and into the 1970s. But in the mid-1970s that rapid expansion stopped and Puerto Rico’s econ- omy has been sluggish ever since. Collins visited Puerto Rico several times, attending a number of conferences that brought together scholars and policymakers from Puerto Rico and the United States. “Why did growth fall apart there?” Collins said. “The main thing I learned was about the issues. The experts from Puerto Rico had a lot more questions about the issues. They know about the history and about the specifics.” Collins was co-editor (with Lael Brainard), vice president and director of the Global Economy and Development Center, and council of the 2005 volume of the Brookings Trade Forum, Offshoring White-Collar Work—The Issues and the Implications, to which 23 international experts contributed articles. The publication presented analyses covering the implications of offshoring for U.S. workers and U.S. competitiveness, overseas call centers, India’s rise as a service provider, and other topics. Many of the contributors in the Collins Brainard volume presented their papers at a one-day conference at Brookings in May 2005. Collins also was co-editor, with conferences that brought together scholars and policymakers from Puerto Rico and the United States. “Why did growth fall apart there?” Collins said. “The main thing I learned was about the issues. The experts from Puerto Rico had a lot more questions about the issues. They know about the history and about the specifics.” Collins was co-editor (with Lael Brainard), vice president and director of the Global Economy and Development Center, and council of the 2005 volume of the Brookings Trade Forum, Offshoring White-Collar Work—The Issues and the Implications, to which 23 international experts contributed articles. The publication presented analyses covering the implications of offshoring for U.S. workers and U.S. competitiveness, overseas call centers, India’s rise as a service provider, and other topics. Many of the contributors in the Collins Brainard volume presented their papers at a one-day conference at Brookings in May 2005. Collins also was co-editor, with
the newly estab-
lished Global
Economy and
Development
Center will stim-
ulate research and
dialogue to provide fresh solutions to
the forces of globalization and the
challenges of global poverty.

As globalization generates new
risks and opportunities, “our goal is to take the policy debate to
new directions by presenting fresh
ideas on America’s ability to com-
pete in the global economy, the
road out of poverty, and the
forces of new economic powers,” said
Laet Braniard, who became
Brookings vice president and
Center director in 2005.

Because the forces of globa-
lization reach across disciplinary
boundaries, Global Economy
draws on the contributions of
scholars from different disciplines,
including international and com-
parative economics, political sci-
ence, development, and law. The
new Center is an “incubator for ideas that matter.” These powerful ideas and insights benefit from
extensive interaction with the key
stakeholders such as political lead-
ers and policymakers, academic
experts, and representatives from
the private sector and non-gov-
ernment organizations through
conferences, roundtables, work-
shops, writings, website resources,
and media outreach.

America’s Place in the
Global Economy

We have joined to inject
analysis and data into the some-
times heated debate on services
offshoring. Economists, scholar
fellow Suman Collin and
Braniard directed the 2005 Brookings Trade Forum to an
in-depth examination of the multi-
ple dimensions of offshoring (see
Collin profile, page 9). The con-
ference and edited volume, Off-
shoring (W. W. Norton & Company)
—The Issues and the Implications,
delved into questions about how
this latest wave of offshoring com-
pares with earlier episodes of
manufacturing offshoring in
terms of economic theory and its
impact on U.S. labor markets. They
did also consider India’s side
of the story, assessing the place
of services in its overall poverty
and development strategy. A series
of industry case studies shed light
on what industry characteristics
make offshoring more likely and
provide nuanced insights into how
offshoring motivates different
parts of the value chain between
high- and low-wage economies.

In a policy brief, “Ensuring
America’s Workers in a New Era
of Offshoring,” Braniard, senior fellow Robert Eitan, and senior
research analyst Nicole Warren
argued that the new wave of off-
shoring and accelerated techno-
logical change warrants a new
insurance program to ensure
against wage loss for permanently
displaced workers who secure
reemployment at lower pay. Their
estimated cost of roughly $25 per
worker per year is a small price to
help displaced American workers
get back to work more quickly,
seek opportunities in new sectors,
and gain valuable on-the-job
training.

Brookings’ work on compet-
itive pressures was unanimously
enlarged through the generosity
of Bernard L. Schwartz, chairman
of the board and chief executive
officer of Loral Space & Commu-
nications, with the establish-
ment of the new Bernard L.
Schwartz Chair in International
Economics (see Schwartz article,
page 35). The chair will tackle
some of the big global compre-
sion challenges facing America,
including how to address trade,
technology, intellectual property
rights, and a changing relationship
between developed and
developing countries.

Rising Economic Powers

As the rise of economic powers
such as the so-called BRICS
(Brazil, Russia, India, China, and
South Africa) continues to trans-
form the international landscape,
Global Economy is building in
capacity to understand the eco-
one challenges faced by these
countries and their impact on other
countries and the international
system.

Continuing his work on the
Russian economy, senior fellow
Clifford Gaddy helped shape
thinking both inside and outside
Russia on that country’s long-
term development and its role in
the world economy. His most
Communist Planners Left Ru-
sia Out in the Cold, written with
Brookings colleague Fiona Hill,
has attracted the attention of the
highest policymakers circles in
Russia for its innovative approach
to analyzing the coming spurt
of multidisciplinary peoples and
economic activity. A Russian-lan-
ding edition of the book that will
be appearing in early 2006 promises to launch a nationwide
debate on the future of Russia’s
capital, the increase was mostly in
emergency food aid rather than as assistance for
sustainable development of the
South African needs to achieve
lasting poverty reduction,” she said.

How Communist Planners Left Rus-

ic economy and its impact on U.S. labor markets. They also considered India’s side
of the story, assessing the place of services in its overall poverty and development strategy. A series of industry case studies shed light on what industry characteristics make offshoring more likely and provide nuanced insights into how offshoring motivates different parts of the value chain between high- and low-wage economies.

In a policy brief, “Ensuring America’s Workers in a New Era of Offshoring,” Braniard, senior fellow Robert Eitan, and senior research analyst Nicole Warren argued that the new wave of offshoring and accelerated technological change warrants a new insurance program to ensure against wage loss for permanently displaced workers who secure reemployment at lower pay. Their estimated cost of roughly $25 per worker per year is a small price to help displaced American workers get back to work more quickly, seek opportunities in new sectors, and gain valuable on-the-job training.

Brookings’ work on competitive pressures was unanimously enlarged through the generosity of Bernard L. Schwartz, chairman of the board and chief executive officer of Loral Space & Communications, with the establishment of the new Bernard L. Schwartz Chair in International Economics (see Schwartz article, page 35). The chair will tackle some of the big global compression challenges facing America, including how to address trade, technology, intellectual property rights, and a changing relationship between developed and developing countries.

Rising Economic Powers

As the rise of economic powers such as the so-called BRICS (Brazil, Russia, India, China, and South Africa) continues to transform the international landscape, Global Economy is building in capacity to understand the economic challenges faced by these nations and their impact on other nations and the international system.

Continuing his work on the Russian economy, senior fellow Clifford Gaddy helped shape thinking both inside and outside Russia on that country’s long-term development and its role in the world economy. His most recent book, The Siberian Czar: How Communist Planners Left Russia Out in the Cold, written with Brookings colleague Fiona Hill, has attracted the attention of the highest policymakers circles in Russia for its innovative approach to analyzing the coming spurt of multidisciplinary peoples and economic activity. A Russian-language edition of the book that will be appearing in early 2006 promises to launch a nationwide debate on the future of Russia’s capital, the increase was mostly in emergency food aid rather than as assistance for sustainable development of the South African needs to achieve lasting poverty reduction,” she said.
GLOBAL ECONOMY AND DEVELOPMENT

GLOBAL POVERTY RELIEF: THE PRIVATE MOST POWERFUL COMPONENT IN

leaders from diverse sectors to

Brookings Blum Roundtable in

studded ONE Campaign to

poverty—from the celebrity-

G-20 approach.

on the G-20, including

organizations to advance think-

participants from universities,

Linn co-hosted more than 30

ings to promote this proposal. In

exclusive club of the G-7/8

road map for expanding the

at a Crossroads: Replacing the

“Global Economic Governance

Bradford and Johannes Linn are

China, India, and Brazil, is under-

challenge of building the Global

Brookings scholars Colin

Group in Tanzania, addresses the

Ali Mufuruki, of Infotech Investment

Germany, held a briefing which

International Monetary

Bank, who will lead a major

for Latin America of the World

DeFerranti, former vice president

 poorest nations.

Global Economy also wel-

the challenges of globalization and

omy and Development Center in

the scholars of the Global Econ-

rogram successful.

idea of Millennium Challenge

America at USAID, wrote that the

policy brief authors, visiting fellow

in people, and promotion of eco-

strate just government, investment

$5 billion a year to low-

Toward Smarter Aid,” acknowl-

reconstruction.

economic, and post-crisis

means: Foreign Assistance in the

F

mention that Mandela had

he jested

South African independence

demonstrated his wry sense

appeared in the doorway.

gray, Mandela had to lean

eyes of some of those specta-

Mandela did when he

the audience as Nelson

none has produced such an

dates, authors, scholars. But

drived him by saying very

“I give you the impo-

Mandela when he

had to lean

the audience as Nelson

nearly 30 years for leading

and good governance.”

the commitment to human

rights is broader and

the commitment to human

“good news” from Africa—

animal, strategic, military, economic, and post-crisis

reconstruction

A related policy brief, “Moving Toward Smart Aid,” acclai-

ed that the Millennium Chal-

lange went off to a slow

The audience rose and clapped

from the stage and made

South Africa to help chil-

of his many

and good governance.

Mandela’s rare trip to

May morning will never for-

accolades from his many

And more tears and

friends.

The occasion for

Mandela’s rare trip to

Africa was the launch-

of the Nelson Mandela Legacy Trust, which will

raise money for use in

Africa to help chil-

encourage peace and

reconciliation, provide assis-

ce for health and educa-

And more tears and

acclamations from his many

Who heard him speak at

Brookings that May morning

will never forget

his visit.

The Road out of Poverty

In a year filled with heightened

interest in fighting global poverty— from the celebra-

ted ONE Campaign to United Nations stock-taking on the

Global Economy also wel-

the challenges of globalization and

omy and Development Center in

the scholars of the Global Econ-

rogram successful.

idea of Millennium Challenge

America at USAID, wrote that the

policy brief authors, visiting fellow

in people, and promotion of eco-

strate just government, investment

$5 billion a year to low-

Toward Smarter Aid,” acknowl-

reconstruction.

economic, and post-crisis

means: Foreign Assistance in the

F

mention that Mandela had

he jested

South African independence

demonstrated his wry sense

appeared in the doorway.

gray, Mandela had to lean

eyes of some of those specta-

Mandela did when he

the audience as Nelson

none has produced such an

dates, authors, scholars. But

drived him by saying very

“I give you the impo-

Mandela when he

had to lean

the audience as Nelson

nearly 30 years for leading

and good governance.”

the commitment to human

rights is broader and

the commitment to human

“good news” from Africa—

animal, strategic, military, economic, and post-crisis

reconstruction

A related policy brief, “Moving Toward Smart Aid,” acclai-

ed that the Millennium Chal-

lange went off to a slow

The audience rose and clapped

from the stage and made

South Africa to help chil-

of his many

and good governance.

Mandela’s rare trip to

May morning will never for-

accolades from his many

And more tears and

acclamations from his many

Who heard him speak at

Brookings that May morning

will never forget

his visit.

The Road out of Poverty

In a year filled with heightened

interest in fighting global poverty— from the celebra-

ted ONE Campaign to United Nations stock-taking on the

Global Economy also wel-

the challenges of globalization and

omy and Development Center in

the scholars of the Global Econ-

rogram successful.

idea of Millennium Challenge

America at USAID, wrote that the

policy brief authors, visiting fellow

in people, and promotion of eco-

strate just government, investment

$5 billion a year to low-

Toward Smarter Aid,” acknowl-

reconstruction.

economic, and post-crisis

means: Foreign Assistance in the

F

mention that Mandela had

he jested

South African independence

demonstrated his wry sense

appeared in the doorway.

gray, Mandela had to lean

eyes of some of those specta-

Mandela did when he

the audience as Nelson

none has produced such an

dates, authors, scholars. But

drived him by saying very

“I give you the impo-

Mandela when he

had to lean

the audience as Nelson

nearly 30 years for leading

and good governance.”

the commitment to human

rights is broader and

the commitment to human

“good news” from Africa—

animal, strategic, military, economic, and post-crisis

reconstruction

A related policy brief, “Moving Toward Smart Aid,” acclai-

ed that the Millennium Chal-

lange went off to a slow

The audience rose and clapped

from the stage and made

South Africa to help chil-

of his many

and good governance.

Mandela’s rare trip to

May morning will never for-

accolades from his many

And more tears and

acclamations from his many

Who heard him speak at

Brookings that May morning

will never forget

his visit.

The Road out of Poverty

In a year filled with heightened

interest in fighting global poverty— from the celebra-

ted ONE Campaign to United Nations stock-taking on the

Global Economy also wel-

the challenges of globalization and

omy and Development Center in

the scholars of the Global Econ-

rogram successful.

idea of Millennium Challenge

America at USAID, wrote that the

policy brief authors, visiting fellow

in people, and promotion of eco-

strate just government, investment

$5 billion a year to low-

Toward Smarter Aid,” acknowl-

reconstruction.

economic, and post-crisis

means: Foreign Assistance in the

F

mention that Mandela had

he jested

South African independence

demonstrated his wry sense

appeared in the doorway.

gray, Mandela had to lean

eyes of some of those specta-

Mandela did when he

the audience as Nelson

none has produced such an

dates, authors, scholars. But

drived him by saying very

“I give you the impo-

Mandela when he

had to lean

the audience as Nelson

nearly 30 years for leading

and good governance.”

the commitment to human

rights is broader and

the commitment to human

“good news” from Africa—

animal, strategic, military, economic, and post-crisis

reconstruction

A related policy brief, “Moving Toward Smart Aid,” acclai-

ed that the Millennium Chal-

lange went off to a slow

The audience rose and clapped

from the stage and made

South Africa to help chil-

of his many

and good governance.

Mandela’s rare trip to

May morning will never for-

accolades from his many

And more tears and

acclamations from his many

Who heard him speak at

Brookings that May morning

will never forget

his visit.

The Road out of Poverty

In a year filled with heightened

interest in fighting global poverty— from the celebra-

ted ONE Campaign to United Nations stock-taking on the

Global Economy also wel-

the challenges of globalization and

omy and Development Center in

the scholars of the Global Econ-

rogram successful.

idea of Millennium Challenge

America at USAID, wrote that the

policy brief authors, visiting fellow

in people, and promotion of eco-

strate just government, investment

$5 billion a year to low-

Toward Smarter Aid,” acknowl-

reconstruction.

economic, and post-crisis

means: Foreign Assistance in the

F

mention that Mandela had

he jested

South African independence

demonstrated his wry sense

appeared in the doorway.

gray, Mandela had to lean

eyes of some of those specta-

Mandela did when he

the audience as Nelson

none has produced such an

dates, authors, scholars. But

drived him by saying very

“I give you the impo-

Mandela when he

had to lean

the audience as Nelson

nearly 30 years for leading

and good governance.”

the commitment to human

rights is broader and

the commitment to human

“good news” from Africa—

animal, strategic, military, economic, and post-crisis

reconstruction

A related policy brief, “Moving Toward Smart Aid,” acclai-

ed that the Millennium Chal-

lange went off to a slow

The audience rose and clapped

from the stage and made

South Africa to help chil-

of his many

and good governance.

Mandela’s rare trip to

May morning will never for-

accolades from his many

And more tears and

acclamations from his many

Who heard him speak at

Brookings that May morning

will never forget

his visit.
The past year has been marked by intense partisanship over foreign policy, Supreme Court nominations, the budget and other substantive national issues. So it could not have been more timely for the Brookings Governance Studies program—which has always examined the means and mechanisms by which democracies around the globe govern themselves—to plan a comprehensive analytic study of the political polarization of America.

After all, as Brookings President Strobe Talbott explained, clarifying the problem of polarized politics and its possible solutions is a fitting project for the Institution. “We try to accomplish that goal both in what we do and how we do it,” he said. “Our thinking about political polarization guides our research about critical public policy choices and our efforts to ensure that our brand of scholarship maintains the highest standards both of substance and of civility of discourse.”

Under the guidance of Brookings Vice President Pietro Nivola, the approach to the question is comprehensive—with scholars examining every major institution of the U.S. political process—the electoral system, the media, the role of religion, the courts, the Congress, and the executive branch. The project will divide the subject of political polarization into what Nivola calls the five “Cs”: Characteristics, Causes, and Chronology (historical context), as well as Consequences and possible Correctives. The endeavor will also be bi-coastal—involving a partnership with scholars at Stanford University’s Hoover Institution.

Three prominent guest scholars will contribute to the project from the perspective of the “fourth estate”—Jonathan Rauch of the National Journal, winner of the 2005 National Magazine Award; New Republic Editor Peter Beinart, who is writing a book on the liberal tradition in U.S. foreign policy; and Gregg Easterbrook of the New Republic.

In a related effort, Brookings visiting fellow Michael McDonald of George Mason University, in partnership with John Samples at the Cato Institute, will examine the competitiveness of U.S. elections, and explore the polarizing effect of congressional redistricting. The endeavor is a natural sequel to McDonald’s and Brookings senior fellow Thomas E. Mann’s work over the years exploring the flaws in congressional redistricting.

William A. Galston, a prominent political theorist who accepted a senior fellow appointment for 2006 in Governance Studies, will work...
Dawning policy challenges require complex analysis and solutions. Brookings Foreign Policy scholars, with their firsthand knowledge of policymaking and their expertise on a myriad of regions and issues, were at the forefront of analysis of major foreign policy challenges this past year. They grappled with a multitude of global topics that made headlines, including U.S. goals and strategy in Iraq, continued threats posed by al Qaeda, the specter of a nuclear armed North Korea and Iran, the rapid rise of China as a global superpower, and many others.

"We are in one of the most dynamic periods of foreign policy, in which the very questions concerning what the role of the United States in the world is, and what our objectives and strategy should be, are up for grabs and on the front page of the newspapers every day," said James B. Steinberg, vice president and director of the Foreign Policy Studies program for the past four years.

Foreign Policy scholars analyzed events across the globe and provided policymakers, the public, and the media with timely, informed, and independent analysis and recommendations. They shared their expertise in congressional testimonies, press briefings, panel discussions, countless media interviews, online dialogues, op-eds, books, papers, and reports.

Carlos Pascual, former U.S. ambassador to Ukraine and director of the State Department Office of Reconstruction and Stabilization, was appointed to succeed Steinberg in early 2006. Steinberg will become dean of the Lyndon Baines Johnson School of Public Affairs at the University of Texas.

Post-war Iraq continued to dominate the headlines at home and abroad, as that country held its first free election in 52 years, celebrated the first anniversary of the transfer of sovereignty to the Iraqi people, and struggled to achieve a political arrangement for its future government against the backdrop of ongoing conflict. Foreign Policy Studies, on the cutting edge of the policy debate, drew on the expertise of its Saban Center for Middle East Policy, directed by Martin Indyk, former U.S. ambassador to Israel and former assistant secretary of state for Near East affairs.

The Center boasts top analysts Flynt Leverett, Kenneth Pollack, Peter Singer, and Tamara Wittes, who joined Steinberg and senior fellows Ivo Daalder, Michael O’Hanlon, and Phil Gordon in providing analysis and policy recommendations on the situation in Iraq and the broader Middle East.
The Saban Center organized numerous ground-breaking panel discussions and conferences, and hosted many of the world’s leaders, including Jilani Talibain, the new president of Iraq. Talibain’s speech at a Brookings event, held a week before his first official meeting with President Bush in Washington, was his first on U.S. soil. The newly elected leader provided enormous insight into the complex restructur- ing process and the need for con- tinued U.S. military assistance in Iraq.

A flagship event for Foreign Policy Studies and for the Saban Center this year was the U.S.-Islamic World Forum, which held its second annual conference in Doha, Qatar, and in a major compo- nent of Brookings’ Project on U.S. Policy Toward the Islamic World. The forum is a convening body for American and Muslim world leaders and experts in the fields of politics, business, media, acade- mia, science, arts, and civil society. The Doha conference also included a groundbreaking dia- logue on U.S.-Islamic cooperation in science and technology. The John D and Catherine T. MacArthur Foundation and Lawrence Livermore National Laboratory supported a science and technology fellowship at Brookings, designed to help bridge the gap between the natural sci- ences and the policy community.

The year’s fellows, Michael R. d’Avery, a physicist, co-wrote a study, “Untapped Potential: U.S. Science and Technology Cooperation with the Islamic World,” which led to a policymaker con- ference in Washington and subse- quent discussions in Doha. The Saban Center also hosted its sixth Daniel Abraham Israel-Palestine Workshop in February at Brookings. Israeli, Palestin- ians, and Americans engaged in strategic discussions on elections, Gaza disengagement, and negotia- tions for peace in the Middle East. Senior fellows Pollack and Leverett, both former ambassadors in the Bush administration, published books on U.S.-Middle East Policy. Pollack’s The Persian Puzzle: Con- flict Between Iran and America looks at the history of the countries’ relationship and the future of U.S. policy toward Iran. Leverett’sJoking Syria: Baker’s Trail by Fire examines Syria’s new political role in the Middle East. O’Hanlon, who holds the Syd- ney Stein Jr. Chair, continued to spearhead the “Iraq Index” project at Brookings. Launched in 2003 and updated bi-weekly with data from the U.S. government and other sources, the Index is an in- depth, non-partisan, comprehensive assessment of rebuilding efforts in Iraq. It tracks progress using sev- eral indicators, including statistics on security, democracy-building and economic transformation. The Index, published on the Brookings website, is consulted widely by journalists, experts, and many oth- ers, and appears regularly on the op-ed page of The New York Times, The Washington Post, and al-Jazeera. In 2005, the war in Iraq has raised crit- ical questions about U.S. policy priorities and strategies to deal with terrorism at home and abroad. The Brookings Project on Force and Legitimacy in an Evolving International System, led by Steinberg and Daddin, con- vened senior-level, bilateral meet- ings with government officials and policy experts in Europe, China, Russia, South Asia, and Mexico.

Concerned about homeland security are at the top of the agenda for decision-makers at several levels of government in the United States. Steinberg and O’Hanlon, along with senior fel- lows Richard Haass, former deputy homeland security advisor and director of the Project on Counterterrorism, Sheryl Spehar, research fellow Jeremy Shapiro, and d’Avery, developed strategies for cooperation among local, state, and federal govern- ment partners to enhance homeland security.

Transnational threats to U.S. national security also remain a high priority for policymakers. Senator John F. Kerry has continued his multilateral research project into the gaps in the development of governance institutions and to the gap in the development of state and non-state actors engaged in providing governance. Senator Kerry convened a series of meetings in Europe to hear from European experts on governance and development.

The Saban Center also hosted one of the greatest foreign policy experts in Europe, China, Russia, South Asia, and Mexico.

One of the greatest foreign policy challenges today and in the future is China, a country whose economic, military, and political power is growing at an unprec- edented rate. This year, the Saban Center officially launched the China Ini- tiative, headed by senior fellow Jeffrey Bleicher, a former senior official in the U.S. government (see Bleicher profile page 33).

The initiative, established through the generosity of Brookings Chairmen John L. Thornton, explores the dynamics of China’s transformation and emergence as a political and economic giant, and the implications for the United States, on neighboring nations and on the world. Senior fellow Jing Huang, an expert on U.S.-China economic relations, organized a series of high-level China policy experts in Europe, China, Russia, South Asia, and Mexico.

Under the leadership of Richard Bush, who holds the Michael H. Armacost Chair, CNAPS welcomed five new visiting fellows from China, Hong Kong, Japan, South Korea, and Taiwan. Fellows participated in the Center’s 10-month research...
North Korea, was a key source of incorporation and insight into the complex challenge of North Korea. Pritchard spoke on this issue at more than 40 public events and gave 260 media interviews. Bacevich continues to play a dominant role in world affairs. Global efforts to combat terrorism, ensure a comprehensive approach to nuclear disarmament, resolve many regional conflicts, and stabilize critical energy resources all require cooperation from Russia and support from its leaders.

Senior fellow Fiona Hill and Clifford Gaddy focused throughout the year on the dynamics of Russia’s economic and political development, especially the enormous impact that Russia’s energy sector has on its foreign and domestic policy-making. Hill and Gaddy are examining Russia’s dependency on its oil revenues, its energy relations with key states like China, and Russia’s foreign policy toward neighboring states in Eurasia. In the wake of the Belarusian attack in September 2004, Hill, who was in Russia for a conference, was privy to a spontaneous private briefing with President Vladimir Putin at his official residence outside Moscow. Hill and Gaddy both took part in a follow-up meeting in September 2005 in the Kremlin.

North America is characterized both by a daunting set of security challenges and a number of new strategic and economic opportunities. Brookings published The Atlas of Peace, a book by senior fellow Stephen Cohen, who was named outstanding academic title by Choice magazine. The book presents a panoramic portrait of this complex and contentious region. The book outlines historical and current political and economic issues that combine to determine the shape of the international community. It analyzes the origins as a homeland for Indian and Chinese aca-

Easterbrook of Economic Studies led a number of initiatives to improve climate change policy and also provided recommendations to Congress. He was principal planner for Presi-

dent Clinton’s Global Change Initiative. And now he’s planning to open a Brookings China initiative office in Beijing,

Second, Bacevich argues that US policymakers should not “believe the rheto-

Hill and Gaddy both took part in a follow-up meeting in September 2005 in the

 According to Bacevich, the US should not be complacent about the situation in the

 Eberhard of Economic Studies also conducted important research on climate change.

Peter Singer, Brookings National Security fellow, published the widely acclaimed Children of a Plague, a book that examines the growing and global threat from infectious diseases. An earlier book by Singer, Counting the Dead is a political science publication. CNN included Singer in their 2005 "New Guard," an annual list of the "next generation of newsmakers."
The Metropolitan Policy program experienced an exceptional year as it continued to influence officials and opinion leaders across the country. The program had a tremendous impact on policy—not just in Washington, but in state capitals, city halls, suburban centers, and the seats of regional governments. Metro scholars gave nearly 200 briefings to state and local officials, as their work directly affected legislation in places ranging from Harrisburg, Pennsylvania, to San Francisco, California.

“The real action is happening in state capitals and city halls,” said Brookings vice president and Metropolitan Policy director Bruce Katz. Metro is constantly sought after by policymakers, citizens, and the media for its analysis of the trends shaping America, as well as its interpretation of how these trends are best addressed with fact-based policy prescriptions.

Metro pursues a deliberately integrated agenda, knitting together disparate but mutually reinforcing areas of policy into a coherent framework.

“We cannot overestimate the role states play in areas such as metropolitan growth and development,” said Katz. “States decide government jurisdictions, and the authority of those jurisdictions, for everything from growth planning to schools.”

“And the tax, spending, and regulatory actions of the states—on everything from transportation to housing to economic development—dramatically shape the economic and physical landscape of cities and metropolitan areas,” he said. “Much of the need is at the state and local level, and many of the best ideas and most relevant innovation is coming from cities and states.”

Taking action requires a clear interpretation of the country’s continuous population and economic shifts. Metro has quickly become the go-to center for this kind of data and analysis. Visiting fellow William Frey, Metro’s top demographer, showed that the “great migration” north by African-Americans had reversed and many black residents are now returning south. And, writing for Metro, university professor David Fafensett led a report on how the shifting movement of immigrants and people of color made mixed-race neighborhoods the norm in the United States. Fafensett is associate professor of urban and labor studies at Wayne State University in Detroit.
Follow Alan Berube’s reports on the Isle of the Curve. For the most recent article, the report found that the number of central cities with a strong middle class has doubled to 29 in the last 20 years. The report also noted that communities and regions: trans-

The rise of the Latino voter, was a major regional media, and became

in the United States—both to the Institution’s hometown. The Brookings Greater Washington

■ ■

■ ■

■ ■

■ ■

■ ■

■ ■
Last year was a banner year for Brookings, with a number of high-impact activities leading the Institution’s research agenda for 2005. Our scholars work on topics with both relevance and immediacy—current issues as well as forward-looking concerns. For this reason, Brookings experienced a record level of interest and financial support. Some of the highest-impact projects undertaken in the past year would not have been possible without investments from individuals, corporations, and foundations with a shared commitment to the research agendas of Brookings scholars.

With early support from trustees Frank Pearl and William A. Haseltine, as well as Brookings Council member Herb Kaplan through the Warren Alpert Foundation, Brookings convened several “brainstorming sessions” to lay the groundwork for establishing a health policy initiative. Participants included nationally recognized leaders in health policy, including government officials, physicians, health policy analysts, business executives, and foundation officers, who together explored how Brookings could best contribute to the health policy debate.

The health policy initiative’s research agenda will focus on an evaluation of policy measures designed to reduce the rapid growth in health care costs while encouraging the continued development of life-saving technologies and the appropriate use of prevention and behavioral change as a way to maintain a healthy population. Building on the earlier brainstorming sessions, the Economic Studies program initiated a series of Health Policy Forums with distinguished scholars and industry experts to begin exploring these issues in greater depth.

In September 2005, Brookings launched its new Center on Children and Families to conduct research and outreach that will improve understanding of the reasons for poverty, especially among working families, as well as the potential of various policies to improve the life chances of poor children. Directed by Isabel V. Sawhill, Brookings vice president and director of the Economic Studies program, and senior fellow Ron Haskins, the Center includes a partnership with Princeton University and joint publication of the journal The Future of Children. The Center’s ambitious research agenda would not be possible without generous private support, and funding has already been received from the Annie E. Casey Foundation, the Doris Duke Charitable Foundation, the Ford Foundation, Foundation for Child Development, and the Joyce Foundation, among others.
A ctive participation in the Brookings Council leads to insight, inspiration, and intellectual stimulation. The Council brings together a select group of thoughtful business and community leaders who are actively engaged in the life of the Brookings Institution, and who get a first look at Brookings research on a wide range of contemporary issues. “Brookings Council members play a crucial role in upholding the Institution’s ability to conduct independent, nonpartisan research concerning today’s most challenging public policy issues,” said Brookings President Strobe Talbott. “The intellectual and financial contributions and the interactive participation of Council members with Brookings scholars are vital to the formulation and dissemination of Brookings’s ideas and publications. It is indeed a two-way relationship.” Council members are more than just donors; they are investors with a shared interest in and commitment to the advancement of independent public policy research. As Brookings’s leading benefactors, Council members played a key role last year in strengthening the Institution’s ability to fulfill its critical mission. Membership in the Brookings Council presents excellent opportunities for frank discussions with some of the best public policy minds in the world today. In 2005, 11 new individuals joined the Council—an 100 percent increase in the number of Council members. Nearly a third made contributions exceeding $50,000. “As more and more individuals and corporate representatives experience the richness of Council membership, we expect continued growth in the years ahead,” said Linda G. Steckley, Brookings vice president for development.

Individuals and corporations who contribute amounts ranging from $10,000 to $100,000 or more enjoy a range of privileges available only to Council members, which included invitations to a full calendar of Brookings Council events throughout the year at our Washington headquarters and in other cities. Members of the Council attended events in key cities from coast to coast, including New York, Boston, Chicago, San Francisco, Los Angeles, Cleveland and Rochester.

Council members also received copies of Brookings publications, including policy briefs and groundbreaking new books, editorials and other publications by Brookings scholars, such as Talbott’s periodic President’s Letters on topics of current interest.
Brookings is grateful for the financial and intellectual support that our corporate donors provide, and for their invaluable real-world perspectives on a wide range of important issues.

Several companies made especially generous gifts of more than $100,000 in 2005, and we would like to recognize their extraordinary commitment to the Brookings mis-

sion. Beneficiaries included The Har-

man Mac Foundation, DaimlerChrysler, Esa, ExxonMobil, Pfizer, Reliance Industries, State Farm, and the U.S. Chamber of Commerce. The resources they provided helped our scholars conduct analysis of pressing policy issues that resulted in timely recommendations for policymakers.

Throughout 2005, corporate donors enjoyed frequent opportuni-

ties to interact with Brookings scholars and leading policymakers on the major issues facing corpo-

rate leaders. Just after President Bush’s inaugural, members of the Brookings Council attended a forum in New York to exchange ideas with leading Brookings scholars on the broad spectrum of domestic and foreign policy challenges facing the administration.

With China’s rising broadly affect-

ing the global economy, the Brookings Council initiative helps busi-

ess leaders understand its implications. In July, Brookings int-

roduced the initiative’s new director, former ambassador Jeffrey Bader, at an informal roundtable discussion of trade, security, and the trilateral relationship among China, Japan, and the United States. In September 2005, the ini-

tiative was formally launched with a full day of panel discussions with business leaders and experts on trade and international relations.

The initiative’s founder, Brook-

ings Board Chairmen John J. M. Romney, hosted a luncheon for corporate donors in March. Thom-

son shared his experiences dealing with Chinese leaders and discussed some of the key questions arising from China’s emergence.

Throughout the year, corporate class leaders took advantage of a rich calendar of other events fea-

turizing with Brookings leading experts on economics and foreign policy.

Brookings experts on interna-

tional trade gave our corporate donors valuable insights into global developments in 2005. Last fall, Dartmouth’s Nancy Birdsall hosted a debate with influential leaders from several countries, including a special ses-

sion on China’s recent entry into the World Trade Organization. At the annual Brookings Trade Forum last year, the Council and senior fellow Susan Collins focused on issues arising from the offshoring of white-collar jobs to developing countries, including a special ses-

sion on the implications for the United States. In September 2005, the init-

iative was formally launched with a full day of panel discussions with business leaders and experts on trade and international relations.
Major gift from Brookings Board Chairman John L. Thornton. The initiative welcomed in first director, Jeffrey Baker, a former ambassador and senior official at the State Department, the Cabinet, and the Office of the U.S. Trade Representative, in April 2005. The China Initiative, launched the, China Initiative hosted a conference on China's emergence and its impact on both the United States and the Asia-Pacific Region (November 20).

Brookings also announced the creation of a China Economic and Development Center. This new center is led by Vice President and Dean Brinard, who holds the New Century Chair. The center will meet and define America's strengths instead of its weaknesses.

Brookings is well positioned to lead U.S. competitiveness in the global economy. “I’m very pleased to support the Brookings Institution as it broadens its focus on the global economy,” said Schwartz, adding that globalization has raised new issues for the United States, organizations such as the International Monetary Fund, World Bank, public and private organizations, as well as every citizen of the planet.

“The time is now to shape a new global agenda that will reach a deeper level of understanding about the changing nature of the global challenges we face,” he said.

Bernard Schwartz, most importantly, that even policymakers are an optimist. Although

“The Schwartz Chair will tackle some of the hardest questions in international economics, including how to address trade, technology, intellectual property rights, and a changing relationship between developed and developing countries. The scholar appointed to this prestigious chair will address the multifaceted dimensions of globalization, and define America’s strengths instead of its weaknesses.”

Brookings is an excellent institution. The Schwartz Chair is a perfect complement to Brookings work in this arena and further address the policy dilemmas of an increasingly integrated and politically complicated global economy.

I’m very pleased to support the Brookings Institution as it broadens its focus on the global economy,” said Schwartz, adding that globalization has raised new issues for the United States, organizations such as the International Monetary Fund, World Bank, public and private organizations, as well as every citizen of the planet.

“The time is now to shape a new global agenda that will reach a deeper level of understanding about the changing nature of the global challenges we face,” he said.

Bernard Schwartz, most importantly, that even policymakers are an optimist. Although

“The Schwartz Chair will tackle some of the hardest questions in international economics, including how to address trade, technology, intellectual property rights, and a changing relationship between developed and developing countries. The scholar appointed to this prestigious chair will address the multifaceted dimensions of globalization, and define America’s strengths instead of its weaknesses.”

Brookings is an excellent institution. The Schwartz Chair is a perfect complement to Brookings work in this arena and further address the policy dilemmas of an increasingly integrated and politically complicated global economy.

I’m very pleased to support the Brookings Institution as it broadens its focus on the global economy,” said Schwartz, adding that globalization has raised new issues for the United States, organizations such as the International Monetary Fund, World Bank, public and private organizations, as well as every citizen of the planet.

“The time is now to shape a new global agenda that will reach a deeper level of understanding about the changing nature of the global challenges we face,” he said.

Bernard Schwartz, most importantly, that even policymakers are an optimist. Although

“The Schwartz Chair will tackle some of the hardest questions in international economics, including how to address trade, technology, intellectual property rights, and a changing relationship between developed and developing countries. The scholar appointed to this prestigious chair will address the multifaceted dimensions of globalization, and define America’s strengths instead of its weaknesses.”

Brookings is an excellent institution. The Schwartz Chair is a perfect complement to Brookings work in this arena and further address the policy dilemmas of an increasingly integrated and politically complicated global economy.

I’m very pleased to support the Brookings Institution as it broadens its focus on the global economy,” said Schwartz, adding that globalization has raised new issues for the United States, organizations such as the International Monetary Fund, World Bank, public and private organizations, as well as every citizen of the planet.

“The time is now to shape a new global agenda that will reach a deeper level of understanding about the changing nature of the global challenges we face,” he said.

Bernard Schwartz, most importantly, that even policymakers are an optimist. Although

“The Schwartz Chair will tackle some of the hardest questions in international economics, including how to address trade, technology, intellectual property rights, and a changing relationship between developed and developing countries. The scholar appointed to this prestigious chair will address the multifaceted dimensions of globalization, and define America’s strengths instead of its weaknesses.”

Brookings is an excellent institution. The Schwartz Chair is a perfect complement to Brookings work in this arena and further address the policy dilemmas of an increasingly integrated and politically complicated global economy.

Over the years, Schwartz has been recognized for his views and counsel on matters ranging from economic growth and industrial policy to technology and national security, which he has provided through speeches, white papers, and testimony to private research institutions, educational groups, and congressional committees. The Bernard L. Schwartz Chair in International Economics at Brookings is an extension of Schwartz’s role as a leader in driving public discourse on critical issues facing U.S. policymakers.
HONOR ROLL OF CONTRIBUTORS

Brookings Institution Press

Controls for a war in South Asia. India and Pakistan in 1998 from the leadership of India’s nuclear

Asad), and of Syria’s complex relationship with the United States, was widely acknowledged among experts. One of the most popular

In the Saban Center for Middle East Policy at the Brookings Institution, the "most influential foreign policy

One of the most popular titles in the Saban Center for Middle East Policy at the Brookings Institution, the "most influential foreign policy

in the Saban Center for Middle East Policy is known for its

Robert C. Nurick

39
W

many universities to help corpo-

other Washington institutions, and

Strategic assessment for select

Fellowship programs that involve

struction defects litigation, and

ject areas such as public leadership;

utives addressed BCEE seminars

the performance and the quality

seminars to more than 2,000 par-

William "T erry" Goodwin, BCEE

executives, the Brookings Center

for Executive Education (BCEE)

for Executive Education (BCEE)

agency, institution, or issue.

ociations, and private companies.

BCEE programs explore sub-

boomers threat-

the oldest baby

vice, Centers for Disease Control,

grams for government agencies

tive. In response to this concern,

dscount Development program.

The Office of Personnel Manage-
leadership values and reconnect to

ticipants explore their personal

by Mary Ellen Joyce, BCEE's

of the Business Roundtable.

sion, provides an

sional Fellows program is designed

ment (DLAMP) of the Depart-

Congress works to bring back to

Former legis Fell Fellow William

the role in improving the efficiency

justice system and the people it

Judicial Education Program

Association of State Foresters as

JEP seminars offer insights into

for those of you accus-
tioned to traditional media-

uropeans. In responding to this

the Internet on politics and

public policy.

the forum was a

blogs, for sure. But, for

learn better ."

perhaps a journalistic tool," he said. "And

appraisal of the blogosphere

themselves.

Perhaps the closest

a media vampire."
## STATEMENTS OF ACTIVITIES

**Year Ended June 30, 2005 and 2004 (in thousands)**

<table>
<thead>
<tr>
<th></th>
<th>UNRESTRICTED</th>
<th>TEMPORARILY RESTRICTED</th>
<th>PERMANENTLY RESTRICTED</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td>2015 TOTAL</td>
<td>2014 TOTAL</td>
</tr>
<tr>
<td>Investment return designated for operations</td>
<td>$10,653</td>
<td>$10,653</td>
<td>$10,503</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>1,250</td>
<td>27,445</td>
<td>28,704</td>
<td>26,787</td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>3,194</td>
<td>113</td>
<td>3,307</td>
<td>3,651</td>
<td></td>
</tr>
<tr>
<td>Conferences</td>
<td>4,015</td>
<td></td>
<td>4,015</td>
<td>3,132</td>
<td></td>
</tr>
<tr>
<td>Brookings Press</td>
<td>2,502</td>
<td></td>
<td>2,502</td>
<td>2,765</td>
<td></td>
</tr>
<tr>
<td>Information Technology Services</td>
<td>38</td>
<td></td>
<td>38</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>46</td>
<td></td>
<td>46</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Rental income, net</td>
<td>148</td>
<td></td>
<td>148</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>Visiting scholar</td>
<td>329</td>
<td></td>
<td>329</td>
<td>375</td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td>42</td>
<td></td>
<td>42</td>
<td>358</td>
<td></td>
</tr>
<tr>
<td>Total Net assets released from restrictions-Grants and contracts</td>
<td>19,661</td>
<td>(19,661)</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL OPERATING REVENUE</strong></td>
<td>41,887</td>
<td></td>
<td>49,784</td>
<td>47,694</td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td>2015 TOTAL</td>
<td>2014 TOTAL</td>
</tr>
<tr>
<td>Operating programs</td>
<td></td>
<td></td>
<td></td>
<td>31,902</td>
<td>30,975</td>
</tr>
<tr>
<td>Economic Studies</td>
<td>6,949</td>
<td></td>
<td>6,949</td>
<td>5,994</td>
<td></td>
</tr>
<tr>
<td>Foreign Policy Studies</td>
<td>8,802</td>
<td></td>
<td>8,802</td>
<td>7,157</td>
<td></td>
</tr>
<tr>
<td>Governance Studies</td>
<td>1,810</td>
<td></td>
<td>1,810</td>
<td>4,283</td>
<td></td>
</tr>
<tr>
<td>Metropolitan Policy Program</td>
<td>4,312</td>
<td></td>
<td>4,312</td>
<td>4,434</td>
<td></td>
</tr>
<tr>
<td>Other research</td>
<td>1,368</td>
<td></td>
<td>1,368</td>
<td>771</td>
<td></td>
</tr>
<tr>
<td>Center for Executive Education</td>
<td>4,682</td>
<td></td>
<td>4,682</td>
<td>4,010</td>
<td></td>
</tr>
<tr>
<td>Brookings Press</td>
<td>3,088</td>
<td></td>
<td>3,088</td>
<td>3,337</td>
<td></td>
</tr>
<tr>
<td>Communications</td>
<td>893</td>
<td></td>
<td>893</td>
<td>989</td>
<td></td>
</tr>
<tr>
<td>Total Operating Programs</td>
<td>31,902</td>
<td></td>
<td>31,902</td>
<td>30,975</td>
<td></td>
</tr>
<tr>
<td>Supporting services:</td>
<td></td>
<td></td>
<td></td>
<td>2,614</td>
<td>2,156</td>
</tr>
<tr>
<td>Management and General Information Technology Services</td>
<td>2,614</td>
<td></td>
<td>2,614</td>
<td>2,156</td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>4,283</td>
<td></td>
<td>4,283</td>
<td>3,761</td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>58</td>
<td></td>
<td>58</td>
<td>111</td>
<td></td>
</tr>
<tr>
<td>Post-retirement benefits</td>
<td>172</td>
<td></td>
<td>172</td>
<td>746</td>
<td></td>
</tr>
<tr>
<td>Total management and general</td>
<td>7,127</td>
<td></td>
<td>7,127</td>
<td>6,774</td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>24,199</td>
<td></td>
<td>24,199</td>
<td>23,297</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td>41,220</td>
<td></td>
<td>41,220</td>
<td>36,775</td>
<td></td>
</tr>
<tr>
<td>Operating revenues over operating expenses</td>
<td>560</td>
<td></td>
<td>560</td>
<td>8,018</td>
<td></td>
</tr>
<tr>
<td><strong>NON-OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment return on investments designated for operations</td>
<td>7,135</td>
<td></td>
<td>7,135</td>
<td>9,100</td>
<td></td>
</tr>
<tr>
<td>Unrealized gain (loss) on investments</td>
<td>11,598</td>
<td></td>
<td>11,598</td>
<td>21,203</td>
<td></td>
</tr>
<tr>
<td>Interest and dividends, net</td>
<td>3,103</td>
<td></td>
<td>3,103</td>
<td>1,855</td>
<td></td>
</tr>
<tr>
<td>Income allocation</td>
<td>(10,653)</td>
<td></td>
<td>(10,653)</td>
<td>(10,503)</td>
<td></td>
</tr>
<tr>
<td>Contributions - Permanent Endowment</td>
<td>$1,788</td>
<td></td>
<td>1,788</td>
<td>1,669</td>
<td></td>
</tr>
<tr>
<td>Change in net assets from non-operating activities</td>
<td>11,183</td>
<td></td>
<td>11,183</td>
<td>12,971</td>
<td>23,324</td>
</tr>
<tr>
<td><strong>INCREASE (DECLINE) IN NET ASSETS</strong></td>
<td>11,880</td>
<td></td>
<td>11,880</td>
<td>31,342</td>
<td></td>
</tr>
<tr>
<td>Net assets at the Beginning of the Year</td>
<td>175,094</td>
<td></td>
<td>175,094</td>
<td>175,094</td>
<td></td>
</tr>
<tr>
<td>Net assets at the End of the Year</td>
<td>$186,944</td>
<td>$34,543</td>
<td>$186,944</td>
<td>$34,543</td>
<td>$248,204</td>
</tr>
</tbody>
</table>

## STATEMENTS OF FINANCIAL POSITION

**As of June 30, 2005 and 2004 (in thousands)**

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$7,689</td>
<td>$1,787</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>2,520</td>
<td>1,416</td>
</tr>
<tr>
<td>Grants and contracts receivable</td>
<td>23,368</td>
<td>20,758</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>1,320</td>
<td>1,610</td>
</tr>
<tr>
<td>Accrued interest and dividends</td>
<td>477</td>
<td>103</td>
</tr>
<tr>
<td>Inventory</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments, at fair value</td>
<td>231,927</td>
<td>219,286</td>
</tr>
<tr>
<td>Land, buildings and equipment-net</td>
<td>11,968</td>
<td>11,999</td>
</tr>
<tr>
<td>Other assets</td>
<td>305</td>
<td>337</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$280,208</td>
<td>$258,113</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>3,088</td>
<td>2,312</td>
</tr>
<tr>
<td>Accrued compensated leave</td>
<td>1,614</td>
<td>1,478</td>
</tr>
<tr>
<td>Accrued post-retirement benefits</td>
<td>4,543</td>
<td>4,374</td>
</tr>
<tr>
<td>Note payable</td>
<td>650</td>
<td>1,050</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>574</td>
<td>695</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>$10,469</td>
<td>$9,909</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>186,944</td>
<td>175,094</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>34,543</td>
<td>26,464</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>48,252</td>
<td>46,464</td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td>$248,204</td>
<td>$248,204</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td>$280,208</td>
<td>$258,113</td>
</tr>
</tbody>
</table>

Notes:
As a nonprofit and scientific organization, Brookings is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Institution also qualifies as a publicly supported organization under section 170(b)(1)(A)(vi) of the code.

The Brookings policy is to make an annual investment spending allocation for the support of operations. This amount is calculated based on 70% of the prior year’s spending adjusted for inflation and 30% of 5% of the market value of the investments as of December 31 of the prior fiscal year. Certain reclassifications of prior year balances have been made to conform to the current year presentation.

A copy of the Institution’s audited financial statements is available by request.