The background image shows a stone arch bridge over a body of water at dusk or night. The bridge's arches are illuminated from below, casting a warm glow. In the distance, the Lincoln Memorial is visible, its white stone walls and columns reflected in the water. The sky is a deep blue.

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BROOKINGS

Annual Report 2007



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ABC's George Stephanopoulos listens to
Opportunity 08 advisory committee co-chairs
Thomas E. Donilon (left) and Kenneth M. Duberstein
at the project launch in February.



THE BROOKINGS INSTITUTION

MISSION STATEMENT

Brookings's mission is to conduct high-quality, independent research and, based on that research, to advance innovative, practical recommendations to advance three broad goals:

- Strengthen American democracy.
- Advance the economic and social welfare, security, and opportunity of all Americans.
- Secure a more open, safe, prosperous, and cooperative international system.

While this year provided particularly compelling reasons to look to the future, I'd like to glance briefly to an important—and exemplary—moment in the past. Sixty years ago, a Democratic secretary of state, George Marshall, proposed to a Republican-led Congress that America begin an arduous and noble project: rebuilding Europe. For help, key members of the House and Senate turned to Brookings. In less than a month, our scholars produced a 20-page report, containing eight recommendations for the goals, structure, and process of the Marshall Plan. Officially called the European Recovery Program, the plan, incorporating many of our suggestions, was soon underway. It marked a high point in American history for bipartisanship, the country's can-do spirit in action, and the receptivity of its leaders to bold, innovative, and practical ideas.

Differences and similarities to that experience face us now. Not surprisingly for a presidential election year, bipartisanship has seen better days. But because this is the first race in eight decades without an incumbent president or vice president seeking the nomination of either party, the candidates and the electorate seem more open to fresh thinking—and there is a widespread appreciation that the United States faces a range of particularly acute challenges, both at home and abroad.

Part of our challenge at Brookings is to align our agenda with that of the nation. In generating ideas about how to strengthen American democracy, advance the welfare and opportunity of all Americans, and promote a more secure and cooperative international system, we have recommitted ourselves over the last year to our core values: quality, independence, and impact.

We are applying those standards to what we are doing in all five of our research programs, as well as to the increasing amount of interdisciplinary projects we have undertaken. As we make our own contribution to the debate about new directions for the country, our signature all-Brookings activity is Opportunity 08, which is already helping candidates and the public focus on critical issues.

We have also identified five cross-cutting policy areas—energy, health care, competitiveness, education, and migration—which will require innovative ideas drawn from multiple programs. Health policy moves to the forefront of our attention with the creation of our new Engelberg Center for Health Care Reform. Thanks to the generosity of two trustees, Al Engelberg and Leonard Schaeffer, the center has already begun to address the crucial challenges of access, quality, and financing that face the U.S. health care system.

As I hope will be apparent in the pages that follow, this past year has been one of exciting and promising change for Brookings. We've found new ways of reaching out across the country and around the world, recruited a number of new senior fellows, launched new projects—as well as new *kinds* of projects—and issued reports and held events that have enhanced our influence. As we build on our strength in the years to come, it is gratifying to know we can count on you, our supporters, for continuing investment in our capacity, mission, and vision.



A handwritten signature in blue ink that reads "Steven R. Taylor".



KATHERINE LAMBERT

When our scholars and trustees held a strategic planning retreat in February 2007, we concentrated on the task of applying to Brookings the concept of “smart growth”—a phrase we’ve borrowed from the vocabulary of our Metropolitan Policy Program and its studied approach to “urban sprawl.” There is no question Brookings must grow, given the magnitude and complexity of the issues facing our nation and our world. The question is: how much, how fast, and in what areas?

After an intense two-day discussion, three broad priorities emerged: broadening the scope of our work in the United States; becoming a truly global think tank; and increasing our impact without sacrificing the quality or independence of our research.

On the home front, our Opportunity 08 project has already hosted candidates and issue forums in Washington, D.C., Nevada, and New Hampshire. Upcoming fall 2007 events in the other early primary states of Iowa and South Carolina and spring 2008 events in battleground states such as Ohio and Florida will give Brookings a chance to hear from, and speak directly to, voters of both parties on solutions to major national challenges.

As we build up our capacity to help tackle the daunting issue of health care, our colleagues on the board, Al Engelberg and Leonard Schaeffer, were particularly generous with their financial and intellectual resources. By supporting a new center and creating endowed chairs, they have paved the way on a renewed effort to boost the fundamental resources Brookings relies on to take advantage of quickly emerging policy issues.

In the same spirit, another valued trustee, Chuck Robinson, has endowed a chair. Carlos Pascual, vice president and director of Foreign Policy, is, appropriately, the first to hold the Charles W. Robinson Chair in Foreign Policy.

Meanwhile, we have opened an office in Beijing and will shortly open one in Doha—Brookings’s first facilities outside Washington. Understanding China’s role in this century has been a personal passion of mine, so it was a particular pleasure to help lead a Brookings Study Tour across China and to participate in the official opening of the Brookings-Tsinghua Center. The Center is well on its way to producing its first major study focused on financial system reform in China.

Our new center in Doha will help convene the annual U.S.-Islamic World Forum in Doha. That project underscores our commitment to research and engagement on the crucial cultural divide that will determine what kind of world our children live in.

In recognition of the comparable importance of India, Strobe is leading a study tour there early in 2008.

Besides reaching out across the country and the world, we are also moving forward on the technological front, harnessing the newest broadcast power of the Internet. Our new Web site, www.brookings.edu, will greatly sharpen our ability to reach our increasingly far-flung and diverse audiences.

Helping the world meet its challenges requires managing ourselves in a way that is both ambitious and disciplined. If we can meet the strategic goals we have set for the coming years, we will have established the momentum to further expand our quality, independence, and impact by our centennial in 2016. To fulfill that ambition, we count on you for continuing support.

A handwritten signature in blue ink, appearing to read "John M."





Economic Studies

The Economic Studies Program made great strides in health policy and macroeconomics this year, while also enhancing its core strengths in social, tax, and fiscal policy. From the growing recognition of the unique and innovative modeling work by the Center on Social and Economic Dynamics (CSED) to a Fiscal Wake-Up Tour that sent budget experts to 20 U.S. cities, audiences grew and people listened.

"Our scholars have successfully brought new approaches and compelling evidence to bear on key policy issues," said William G. Gale, vice president and director of Economic Studies and the holder of the Arjay and Frances Fearing Miller Chair in Federal Economy Policy. "We will continue to offer clear, concise, and constructive analysis and policy options on topics that will, or at least should, come up in the 2008 presidential election campaign—and beyond."

Arrivals and Departures

Brookings welcomed new Senior Fellow Mark B. McClellan, a medical doctor and economist, and former official in the Clinton and Bush administrations, as the Leonard D. Schaeffer Director of the Engelberg Center for Health Care Reform. The Center epitomizes the Brookings mission with its charge to create and recommend policy options and communicate them through close relationships with policy-makers, the media, and health researchers (see Health, page 8).

"The Engelberg Center is one of the timeliest and most ambitious ventures we have ever undertaken at Brookings," said Strobe Talbott, president of Brookings. "And in Mark McClellan, it has the best leadership imaginable. He brings to the position of founding director the experience of a distinguished career in public service combined with an extensive academic background in both health policy and economics."

New editors were named for the *Brookings Papers on Economic Activity*: Lawrence H. Summers, N. Gregory Mankiw, and Douglas W. Elmendorf. Summers is a Harvard professor and former Treasury secretary. Mankiw is a Harvard professor and former chairman of the president's Council of Economic Advisers from 2003 to 2005. Elmendorf, who also joined Brookings as senior fellow and the Edward M. Bernstein Scholar, has taught at Harvard and worked extensively in the policy arena, including at the Department of Treasury, the Congressional Budget Office, the Council of Economic Advisers, and the Federal Reserve Board. They replace William C. Brainard, professor of economics at Yale University, and George L. Perry, a senior fellow, who edited the journal for 26 and 37 years, respectively.

William G. Gale, vice president and director of Economic Studies, speaks at an International Advisory Council meeting as member Nathaniel Rothschild (right) listens.

RALPH ALSWANG

Peter Orszag—who wore many hats, including director of the Hamilton Project and the Retirement Security Project—left Brookings in January to become director of the Congressional Budget Office (CBO). Orszag stepped into the old job of Brookings colleague Alice Rivlin, who was CBO's founding director from 1975 to 1983. Jason Furman was hired as a senior fellow and replaced Orszag at the Hamilton Project helm. Furman has White House and World Bank experience; has taught at Yale, Columbia, and NYU; and is well grounded on a wide range of policy issues.

After 15 years at Brookings, Senior Fellow Susan Collins accepted a post in June as the Joan and Sanford Weill Dean of the Gerald R. Ford School of Public Policy at the University of Michigan. She has left behind a

rich legacy of work on international economics.

Ross Hammond was awarded the Okun-Model Fellowship and joined as a fellow in CSED, where he works on agent-based models that examine public health issues, corruption, ethnocentrism, and trust. Brookings also welcomed Mark Duggan, one of the nation's top academic health economists, who spent his sabbatical from the University of Maryland here and received the Kerr Fellowship during his stay.

Navigating New Social Policies

The Economic Mobility Project, a partnership of Brookings, the Heritage Foundation, AEI, the Urban Institute, and the Pew Charitable Trusts, was launched this year to broaden the current debate over income inequality, economic insecurity, and inter-

generational mobility. The first report, authored by Senior Fellow and holder of the Cabot Family Chair, Isabel V. Sawhill, finds that American men have less income than their fathers' generation did at the same age.

Sawhill and Senior Fellow Ron Haskins retain the helm at the Center on Children and Families (CCF), which has become a key source on policies that affect the well-being of America's children and their parents. The CCF annual response to the Census poverty report on the day the new numbers are released draws many reporters, Hill staff, and analysts interested in the Brookings perspective. New York City Mayor Michael Bloomberg, who praised Brookings for having "risen above partisanship," offered his response at the August 2007 event and

called for an expansion of the earned income tax credit.

To help address problems of unplanned pregnancies among very young women, most of them outside of marriage, Brookings launched the "Love, Sex, and Relationships" effort to analyze the reasons for this problem with the aim of developing better strategies for reducing these rates. This work reinforces the National Campaign to Prevent Teen Pregnancy and other groups addressing unwanted pregnancies.

Senior Fellow and Economic Studies Deputy Director Jeffrey Kling continued his work on the Moving to Opportunity experiment, completing publication on and engaging in public debate about the role housing vouchers play in anti-poverty policy, education policy, housing policy, and public health.

New Engelberg Center Becomes "Health Care" Hub

What will distinguish the Engelberg Center for Health Care Reform from similar projects at other think tanks? That was one of many questions posed at the July 2007 launch of the new center at a press breakfast at the National Press Club. Founding Director Mark B. McClellan, also a recently named Brookings senior fellow, responded, "I view this as a 'do' tank, not a think tank—a center for collaborating on how to effectively accomplish shared goals and ideas, not a center for writing papers in an ivory tower."

Tackling such challenges facing the U.S. health care system as access, quality, and finance, the center seeks practical solutions that can transform the problem-riddled system into one that is high-quality, innovative, and affordable.

As part of the Economic Studies

Program, the Engelberg Center now serves as the hub of all Brookings activity related to health policy, ranging from the design of tax subsidies to the effects of health costs on business competitiveness to optimal policy responses to infectious diseases. It will work closely, in this regard, with the new Global Health Initiative in the Global Economy and Development Program and with the Center on Social and Economic Dynamics on disease outbreaks.

The center's creation was made possible by the generous support of two Brookings trustees, Alfred B. Engelberg and Leonard D. Schaeffer. The Engelberg Foundation underwrote the center's operational activities for the first five years. An endowment gift established the Leonard D. Schaeffer Director's Chair, to which McClellan was appointed.

McClellan acknowledged the

tremendous support of this pioneering philanthropic investment. "Without people like Al and Leonard, our health reform efforts would lack a solid platform. More than anything, they've given us the latitude to explore many options and their confidence to go forward independently."

Besides drawing on Brookings scholars, the Engelberg Center has also joined with academic leaders. One such collaboration this year was with the Dartmouth Center for Healthcare Policy Research and Reform, headed by Dr. Elliott Fisher. The new joint Brookings-Dartmouth Program in Health Policy Research is linking Dartmouth's population-



ARTHUR DURY

based research programs with Brookings's research and policy development expertise. One of the initial projects is to model different approaches to modifying current Medicare physician and other provider payments with an eye toward impact on the Medicare Trust Funds.

A former commissioner of the Food and Drug Administration and administrator of the Centers for Medicare and Medicaid Services, McClellan was also a member of the President's Council of Economic Advisers, a senior director for health care policy in the White House, and a deputy assistant secretary of the treasury. ■

"Demilitarizing What the Pentagon Knows about Developing Young People: A New Paradigm for Educating Students Who Are Struggling in School and in Life," was published in May. Senior Fellow Hugh Price examined several approaches to military and quasi-military training, including basic training, JROTC and JROTC career academies, the National Guard Youth ChalleNGe Program, and public military high schools.

Senior Fellow Gary Burtless, the John C. and Nancy D. Whitehead Chair, contributed to an interdisciplinary study focusing on two important demographic groups: employed parents and older workers. He analyzed the links between time spent in paid work and various indicators of individual and family well-being—including time available for family care-giving, personal care, and leisure, as well as earnings and household income. Burtless also assessed how these outcomes, and the links among them, are shaped by public policies.

Fiscal and Tax Policy

The Budgeting for National Priorities (BNP) project continued to raise national consciousness on the tough budget choices ahead because of changing demographics and growing debt. Its Fiscal Wake-Up Tour this year held local forums on budget issues in more than 20 cities and reached hundreds of people in each city, including local politicians, business and community leaders, and the local media. Other events included private meetings with former members of Congress, public forums at Brookings, and media seminars.

BNP has now published three books in the *Restoring Fiscal Sanity* series, the most recent being *Restoring Fiscal Sanity 2007:*

The Health Spending Challenge, edited by Alice Rivlin and AEI scholar Joseph Antos. The project also recently released a five-paper series on the deficit, including "Taming the Deficit," which Isabel Sawhill co-authored with former representatives William Frenzel and Charles Stenholm and former Republican congressional aide William Hoagland.

Dedicated to promoting common-sense solutions to improve the retirement income prospects of millions of American workers, the Retirement Security Project has targeted a number of policy issues, including making retirement saving automatic; making the saver's credit refundable and indexed for inflation; implementing split refunds of federal income taxes, and reforming the asset tests in means-tested federal programs.

The Tax Policy Center (TPC), a joint venture of Brookings and the Urban Institute, had another highly visible year. In 2006 alone, TPC produced 52 publications and commentaries and 324 distribution tables, expanded its simulation model to allow analysis of a wider range of tax reform options, and e-mailed 20 issues of an electronic newsletter to more than 3,000 subscribers. The center's push for a simple, progressive replacement for the individual alternative minimum tax (AMT) was repeatedly heard on Capitol Hill and in the media.

The Hamilton Project

The Hamilton Project, now in its second year, put forward several innovative policy ideas from leading economic thinkers throughout the United States—ideas based on experience and evidence, not ideology and doctrine—to introduce new, sometimes controversial policy options into



RALPH ALSWANG
Hamilton Project Director Jason Furman (center) testifies before the House Ways and Means Committee with Tax Policy Center Director Leonard Burman (left) and Douglas Holtz-Eakin, former director of the Congressional Budget Office.

the national debate. Aiming for independence, the project presents a diverse span of sometimes conflicting ideas on topics that range from alternative approaches to expanding unemployment insurance to options for universal health coverage.

In less than two years, the project has published more than two dozen papers, all on breaking issues. Director Jason Furman authored a discussion paper this year that proposed a progressive cost-sharing plan that would require typical families to pay a certain percentage of their health costs; low-income families would not have any cost sharing.

Often featuring the perspectives of respected experts outside of Brookings, Hamilton published numerous papers this spring on tax reform. Austan Goolsbee at the University of Chicago suggested reducing America's tax burden through return-free filing—an idea also championed by Economic Studies Director Bill Gale—and Lily Batchelder at the New York University School of Law wrote that replacing the estate tax with an inheritance tax would tax privilege more effectively.

The Hamilton Project's work has been frequently cited and discussed in all of the major national media, including both the overall economic philosophy of the project and the specific contributions to policy ideas.

Regulatory Policy

Senior Fellows Robert Crandall, Robert Litan, and Clifford Winston continued their work on regulatory policy, with particular

emphasis on the financial and telecommunications sectors. With co-editor Yasuyuki Fuchita, Litan published *New Financial Instruments and Institutions: Opportunities and Policy Challenges*, summarizing the third annual Tokyo Club conference on financial services held in September 2006, sponsored jointly by Brookings and the Nomura Institute of Capital Markets Research. Winston's work focuses on the efficiency of the urban and intercity transportation system.

Macro and International Economics

Senior Fellow Barry Bosworth, who holds the Robert V. Roosa Chair in International Economics, examined recent changes in the distribution of saving and investment across major regions of the global economy. While earlier analyses had projected a surge in the savings rate of industrial countries, recent global trends show a more significant change in the drop in the rate of investment, and unexpectedly low rates of interest around the world. The project explored the influence of demographic changes in accounting for the shifting balances of national rates of saving and investment.

Bosworth and Susan Collins compared the recent economic performances of China and India using a simple growth accounting framework that produces estimates of the contribution of labor, capital, education, and total factor productivity for the three sectors of agriculture, industry, and services as well as for the aggregate economy. ■





Lael Brainard, vice president and director of Global Economy and Development, joins Pascal Lamy, director-general of the World Trade Organization (WTO), for a private Brookings briefing on the future of the Doha Round of global trade negotiations.

Global Economy and Development

The Global Economy and Development Program's celebration of its one-year anniversary as the fifth Brookings research program marks a period of growth during which its expertise on globalization has become the preferred source of innovative thinking on the key drivers of the global economy, the rise of new economic powers, and the road out of poverty.

"Global focuses tightly on ideas that matter, across borders and across issues. Through comprehensive research, we work to shape the policy debate on both the opportunities and challenges created by an increasingly globalized world," said Lael Brainard, vice president and director of the Global program and holder of the Bernard L. Schwartz Chair in International Economics. "We believe our policy recommendations can help leaders here and abroad harness the power and potential of globalization through enhanced understanding of the risks and benefits."

One of Global's newest offerings this year was the Global Agenda Forum, which spotlighted the top international challenges for the year across the spectrum of economic and development issues. As part of the forum, Global released its first Top 10 Global Economic Challenges report, which ranked the most pressing global economic issues and offered specific policy recommendations for each. The forum also provided a platform for highlighting many of the research projects outlined below.

Competing in a Global Economy

While globalization has helped transform and strengthen the U.S. economy in many ways, it has also contributed to the economic insecurity of many U.S. workers through intense economic global integration and specialization. On the U.S. policy side, Congress took note of this uncertainty and proposed legislation that would expand federal aid to workers who have lost their jobs due to offshoring and other globalization impacts. This legislation includes a wage insurance program, which would ensure qualified workers are protected against wage loss, not just unemployment, for permanently displaced jobs.

Brainard's innovative wage insurance proposal and her testimony at a series of congressional hearings helped shape Capitol Hill policy proposals and also generated media interest as policy-makers sought new ideas to help the United States maintain its leadership position in the global economy. For example, as the Senate Finance Committee geared up to consider the Trade Adjustment Assistance legislation, Brainard made the case that the emergence of China and India—and the associated 70 percent expansion of the global labor force—has led to greater economic

uncertainty for U.S. workers, and she underscored the need for specific changes to the nation's safety net to enhance American competitiveness. Additionally, Brainard helped the House Committee on Small Business grapple with the challenge by proposing an effective set of policies that would help small businesses adjust to the front lines of globalization.

Global enhanced its strong trade portfolio with the arrival of Paul Blustein, journalist-in-residence, who is working on a book on the World Trade Organization, and through the ongoing work of other Global experts.

The current system of global economic governance—from the G8 to the World Bank and IMF governance—is proving inadequate to meet such important challenges as global financial integration, poverty reduction, and energy security. Senior Fellows Johannes Linn and Colin Bradford convened a high-profile series of seminars with representatives from various embassies and national delegations to the IMF and World Bank last year and published an influential edited volume that contained detailed policy recommendations for adapting economic governance systems.

This work was complemented with a series of high-profile media citations by Global experts on the subject of governance reform as both the World Bank and the IMF experienced highly visible and unexpected leadership transitions. Bradford, Linn, Lex Rieffel, Ralph Bryant, and Ken Rogoff were all quoted extensively as international leaders sought and debated new governance approaches for these critical institutions.

The Rise of New Powers

Global made important strides in recruiting international talent to further Brookings's agenda on the

emerging powers, with specific focus on the BRICs (Brazil, Russia, India, China). Senior Fellow and New Century Chair in International Trade and Economics Wing Thye Woo propelled Global's work forward not only on China, but also in Southeast and East Asia, leading high-profile briefings and workshops on the region's economy. India Economics Fellow Urjit Patel is working on research regarding energy-sector reform in India and joined Global full-time in Washington in the fall of 2007 to serve as a resident Indian economist. Political Economy Fellow Leonardo Martinez-Diaz joined Brookings from Oxford and is pursuing cross-BRICs work as well as specialized research on Brazil.

U.S. Treasury Secretary Henry Paulson discussed U.S.-China economic priorities with Global and Thornton China Center experts in May in advance of the administration's Strategic Economic Dialogue meetings. The briefing focused on ways to enhance this significant economic relationship through partnership on greater capital markets opening and transparency, financial services liberalization, currency revaluation, and utilization of new energy technologies for environmental security.

The 2007 India Policy Forum, led by Barry Bosworth and held in New Delhi for the third year, focused on current trends in the Indian economy with specific research on the political economy, education, microfinance, and land policies and reform. With strong influence in the Indian government and strong interest from multinational corporations and leaders in the United States, the forum continues to involve top Indian policy-makers at the Delhi discussions and generates strong interest in both countries.



India Economics Fellow Urjit Patel (left) and New Century Chair Wing Thye Woo discuss the rising economic powers at the Global Agenda Forum in February 2007.

RALPH ALSWANG

Launched in partnership with the Stockholm Institute of Transition Economics and led by Senior Fellow Erik Berglöf, the Global Institute is a strategic alliance of leading economic research-based think tanks in transition and developing countries. The 2006 China-Russia Conference Series, "The Role of the State in the Economy," held in Moscow in the fall attracted an audience of policy-makers, academics, media, and practitioners.

Improving the Lives of the Poor

Global has developed a robust global poverty research agenda within the last year, focusing its efforts on the Wolfensohn Center for Development, the Global Health Financing Initiative, and the Brookings Blum Roundtable. Additionally, Global brought on a number of distinguished experts, including Ngozi Okonjo-Iweala, former minister of finance for Nigeria (see Ngozi, page 13); Santiago Levy, former deputy minister of finance in Mexico; Homi Kharas, former World Bank economist; and renowned economist Bill Easterly.

As the critical linkages between maintaining health and reducing poverty grow, Global developed a deeper portfolio on global health issues. Funded by a substantial Bill & Melinda Gates Foundation grant, the Global Health Financing Initiative was established in 2006 and has built a strong framework for analyzing

innovative financing instruments to help determine which proposals can best supplement and improve the economic efficiency and impact of global health aid. Senior Fellow David de Ferranti leads a team of experts, including health economists Amanda Glassman and Charlie Griffin, who evaluate current and potential health financing proposals.

With critical support from the Hewlett Foundation, Global remained a leading voice in Washington's foreign aid debate. Lael Brainard and Noam Unger, senior manager of the Foreign Aid Reform Project, offered extensive analysis and policy counsel on reforming the U.S. system. The publication of *Security by Other Means: Foreign Assistance, Global Poverty and American Leadership* (Brookings Institution Press and the Center for Strategic and International Studies, 2006) further enhanced policy traction, offering recommendations for reform to key policy-makers.

The Wolfensohn Center for Development continues implementing a core program of research on global poverty aimed at increasing development effectiveness. One of the Center's primary initiatives—the Middle East Youth Initiative—has made important and visible strides on a second-generation development challenge by addressing one of the region's most pressing issues: the emergence of the world's largest youth population, accounting

for more than 20 percent of the entire regional population. Led by Nonresident Senior Fellow Tarik Yousef and Fellow Navtej Dhillon, the Initiative has already created a strong alliance of academics, policy-makers, the private sector, and civil society in the Middle East.

The Initiative on International Volunteering and Service is seeking ways in which volunteerism can offer needed programs and services while also enhancing global understanding and security through the volunteer efforts of Americans abroad. In a new policy brief, Director David Caprara proposed the creation of Global Service Fellowships as a way to maximize the potential of international volunteering. It was incorporated into the Global Service Fellowship Act of 2007, introduced by Sens. Russ Feingold and Norm Coleman.

Funded by the Ford Foundation, Nonresident Senior Fellow Caroline Moser led a highly regarded conference that presented original case studies of asset-building policies around the globe, describing communities in Ecuador, Indonesia, and El Salvador.

Now in its fourth year, thanks to the support of Trustee Richard C. Blum, the Brookings Blum Roundtable on Global Poverty focused its agenda in 2007 on the changing face of development, including the emergence of new mega-philanthropists, social entrepreneurs, celebrity advocates, and other nontraditional aid efforts. Held in Aspen, Colo., the roundtable featured former Vice President Al Gore, Mohamed Ibrahim, former Canadian Prime Minister Paul Martin, George Soros, Bobby Shriver, African Development Bank President Donald Kaberuka, and others. ■

PETER KROGH



Ngozi Okonjo-Iweala Deepens Brookings's African Perspective

This past year, Brookings's Global Economy and Development Program welcomed Ngozi Okonjo-Iweala, the former minister of finance and minister of foreign affairs for Nigeria, as a distinguished fellow. Okonjo-Iweala's outstanding achievements on Nigeria's fiscal reforms, debt negotiations, transparency, and accountability and development gave Global's Africa portfolio a powerful voice.

At Brookings, Okonjo-Iweala focused her research on economic reform issues in Africa, corruption and governance in social sector financing, transparency and accountability, and global health financing issues. Okonjo-Iweala's public briefings and research projects were

the subject of a strong Washington following, drawing constant requests for media interviews, speeches, and briefings.

Okonjo-Iweala was also featured in *Vanity Fair's* Africa issue and was noted as one of the "level heads" who has "done more to move Africa's economies forward than any number cruncher could ever do."

Her leadership was further recognized this year as she was appointed by Robert Zoellick, World Bank president, to become a managing director of the institution beginning in December 2007. Following the announcement of her appointment, Okonjo-Iweala said: "Brookings has been a wonderful home to me this past year and has provided me with intellectual stimulation

and opportunities to work with some of the best people thinking about issues of development. I shall always remain part of the Brookings family and look forward to future collaboration with Brookings."

Okonjo-Iweala served in the Nigerian government from 2003 to 2006, first as the finance minister and then as the foreign affairs minister. She was the first woman to hold either position in Nigeria. Prior to her work for the Nigerian government, Okonjo-Iweala was a vice president of the World Bank. For her efforts to bring openness, transparency, and accountability to government financing and operations, Okonjo-Iweala was selected as a *TIME* magazine "Hero of the Year" in 2004 and received the

Euromarket Forum Award for Vision and Courage in 2003. She was honored with an honorary Doctor of Laws degree by Brown University in 2006.

Following years of economic stagnation, Nigeria embarked on a comprehensive reform agenda to improve the macroeconomic environment, pursue structural reforms, strengthen public expenditure management, and conduct institutional and governance reforms. In her working paper titled "Nigeria's Economic Reforms: Progress and Challenges," Okonjo-Iweala examined Nigeria's recent experience with economic reforms, outlined the major policy measures implemented, and identified a number of outstanding issues that future Nigerian administrations must address. ■



Governance Studies

Even before the new Congress was sworn in, Senior Fellow and W. Averell Harriman Chair in American Governance Thomas E. Mann led a distinguished panel of experts in the substance and politics of the initial “100-hour” agenda of the new Democratic majority. Offering analyses early and fast is what has distinguished the Governance Studies Program from other expert commentators in a city that trades on information and respects well-honed knowledge.

Besides providing extensive insights in the months leading up to the 2006 midterm elections, Governance Studies forged ahead this year under a clearly defined mission to foster scholarship that improves the U.S. electoral process, “depolarizes” the party system, ensures the health of the judicial branch, balances constitutional protections with security interests, and upgrades the nation’s educational institutions.

Under the leadership of Pietro S. Nivola, vice president and director of Governance Studies and the holder of the Douglas Dillon Chair in Governmental Studies, the program launched major projects examining partisan politics, electoral reform, and judicial challenges. This year, Governance Studies experts published nine books, which were often featured in the national press. The program’s experts also produced Brookings Policy Briefs, inaugurated the *Issues in Governance Studies* series with eight papers, and authored dozens of magazine articles, cover stories, and op-eds.

“I am grateful for the support Brookings has given my efforts to strengthen Governance Studies,” Nivola said. “Our work continued to inform the public debate on important questions of politics and policy, and not just for the near term but also the longer haul.”

Governance Studies fellows played key roles in congressional outreach, including giving congressional testimony and serving on one of the President’s major national task forces on education policy. Three scholars were awarded professional prizes, two by the American Political Science Association.

A Nation Divided

The program continued its flagship project, a comprehensive study conducted jointly with the Hoover Institution at Stanford University on the sources and implications of partisan polarization in U.S. politics. With contributions from the nation’s leading scholars and experts, the project released *Red and Blue Nation? Volume I: Causes and Characteristics of America’s Polarized Politics*, co-edited by Nivola and David W. Brady (Brookings/Hoover, 2006). *Choice* magazine cited the volume as one of the year’s “outstanding academic titles,” and thousands

Pietro S. Nivola, vice president and director of Governance Studies, moderates a panel with Senior Fellows William Frenzel (left) and William A. Galston on how President Bush’s 2007 State of the Union Address will shape the last two years of his term.

RALPH ALSWANG

of copies have been ordered for more than 200 university course adoptions. With support from the John D. and Catherine T. MacArthur Foundation, the Carnegie Corporation of New York, and the Rockefeller Brothers Fund, contributing authors convened a dozen public events around the country.

Governance Studies hosted various other activities substantively aligned with this Brookings-Hoover partnership. For example, three of the project's contributors—Senior Fellows E.J. Dionne Jr. and Thomas Mann, and Visiting Fellow Peter Beinart—published books on closely related topics. Beinart's *The Good Fight* (Harper Collins, 2006) probed the Democratic Party's travails in fashioning a coherent and forceful stance in foreign affairs. Mann's *The Broken Branch* (Oxford University Press, 2006), co-authored with Norman Ornstein of AEI, described dysfunctional consequences of arch-partisan strife in Congress. Dionne's co-edited volume, *Is There a Culture War? A Dialogue on Values and American Public Life* (Brookings, 2006), was the latest installment of the Pew Forum Dialogue Series on Religion and Public Life.

A Nation at the Polls

With support from the John S. and James L. Knight Foundation and The Cabot Family Charitable Trust, the Election Reform Project, headed by Mann and Norman Ornstein of AEI, continued to synthesize existing research on the conduct and administration of American elections, and to encourage improvements in the system. The project, in its second year, expanded its Web site (www.electionreformproject.org) and increased its bimonthly

newsletter subscriber base to more than 3,000.

Other election reform projects highlighted the program's commitment to electoral scholarship and impact. Visiting Fellow Michael McDonald's book, *The Marketplace for Democracy: Electoral Competition and American Politics* (Brookings, 2006), co-edited with the Cato Institute's John Samples, was unveiled at a briefing on Capitol Hill in September 2006 to considerable interest. Mann is also due to release *Redistricting: A Guide for Reformers*, which is targeted at citizens nationwide who may be interested in the mounting efforts to reform the congressional redistricting process in certain states.

Studies of Justice and Law

Amid the current debate over balancing liberty and security in the war on terror, a broad consensus has emerged that legal governance of this arena needs to be revised. Newly hired Fellow and Research Director in Public Law Benjamin Wittes heads the Brookings effort to explore and propose specific reforms that will help place the war on terror on a more solid legal footing for the long term.

Securing the independence of the judicial branch continues to be a key topic for Governance Studies, as illustrated by the April *Issues in Governance Studies* brief, "Judicial Independence and Judicial Accountability in the 110th Congress and Beyond," authored by Russell Wheeler, Brookings guest scholar and director of the Governance Institute. The Judicial Issues Forums, moderated by Nonresident Senior Fellow Stuart Taylor Jr., had another good year, with widely attended panel discussions on such topics as: "Are Judges Political?" and



Illinois Rep. Rahm Emanuel (left) chats with Senior Fellow Thomas Mann at a Brookings event on politics and government.

SHARON FARMER

"What Should Be the Future of the Death Penalty?"

Issues of the Future

Governance Studies considered how the political process might begin to look beyond the next election cycle, addressing the biggest domestic policy challenges that lay on the horizon. Senior Fellow Sarah Binder presented a paper, "Can Congress Legislate for the Future?" at a discussion with former Sen. Tom Daschle and Nonresident Senior Fellow Paul C. Light. As part of Senior Fellow William A. Galston's work that will suggest ways of reformulating the American welfare state's "social contract," Galston published "Reviving the Social Contract: Economic Strategies to Promote Health Insurance and Long-Term Care" for the Brookings Opportunity 08 project.

With the climate policy debate heating up, Governance Studies experts made valuable contributions to the public dialogue. Nonresident Senior Fellow Barry Rabe of the University of Michigan authored "Second Generation Climate Policies in the American States," and Visiting Fellow Mary Graham and Elena Fagotto of Harvard University's Kennedy School of Government co-authored "Reducing Greenhouse Gases Now." Visiting Fellow Gregg Easterbrook wrote "Case Closed: The Debate about

Global Warming is Over" for *Issues in Governance Studies*. The latter article provided the basis for a subsequent *New York Times* op-ed piece, followed by various television appearances and finally the *Atlantic Monthly* cover story in April, "Hot Prospects."

The changing intersection of religious life and public policy has also warranted closer study. As E.J. Dionne commented at a Brookings briefing this year on American Politics and the Religious Divide, the new splits are within the faith traditions themselves.

Educating America

Governance Studies incorporates the activities of the Brown Center on Education Policy—one of the country's most reliable, independent sources of scholarly research on the problems of the nation's public elementary and secondary educational system. Under the direction of Senior Fellow Tom Loveless, who holds the Herman and George R. Brown Chair in Education Studies, the Brown Center continued its work on the controversies over school and class sizes, the role of charter schools, and the state of math education.

The center also convened a major conference at Brookings in the fall, comparing the outcomes of mathematics education internationally. ■

Opportunity 08: The Countdown Begins

Voters say they want to hear more from candidates about the issues and less about partisan politics. Americans are increasingly demanding more than sound bites. They're looking for forward-looking, fresh, constructive ideas, and imaginative but realistic solutions to the pressing issues of the day.

The 2008 election is a rare thing in American politics: It features both wide-open primaries in both political parties and the guarantee that there will not be an incumbent president or vice president in the general election. That means this election will provide a unique opportunity in modern times to discuss solutions to America's most pressing policy challenges.

Brookings launched Opportunity 08 this year as a policy platform to help the candidates and the public focus on critical issues facing the nation. Marrying quality research with new outreach strategies, the project includes targeted publications, policy forums, a media partnership with ABC News, and public discussions in key states.

As with all Brookings efforts, the project starts and ends with high-quality research. Opportunity 08 features papers from Brookings experts on more than 30 domestic and foreign policy issues, including tax policy, energy security, the deficit, and Iraq.

Under the able leadership of Michael O'Hanlon, a senior fellow in Brookings's Foreign Policy Program,

the project serves as a forum to discuss solutions to America's most pressing policy challenges. The papers were largely authored by Brookings's leading experts on these topics, but also include papers by partners at other institutions. The papers and fact sheets are featured on our Web site. A select number will be released later this year as an edited volume by the Brookings Institution Press.

The public component of the project was launched in February at an event moderated by ABC's George Stephanopoulos and Torie Clarke. The session featured a spirited discussion on why and how issues will matter in the upcoming presidential election. It showcased policy ideas on three pressing international challenges—Iraq, China, and the broader Middle East.

Opportunity 08 is guided by a bipartisan advisory committee chaired by Brookings trustees Kenneth M. Duberstein and Thomas E. Donilon. "This year's campaign is starting earlier than ever and candidates are searching for new policy ideas," Donilon, a Democratic presidential adviser for more than 20 years, said. "I fully expect this to be an exciting, substantive race."

"If this campaign is about ideas and issues, people will engage," said Duberstein, an adviser to every Republican president since Nixon. "Iraq is the main issue now, but if candidates are going to maintain momentum, they will have to specifically explain how they're going to make America different and better."

Besides the launch event, provocative public forums were held on climate change, the future of the military and national security, and connecting the 2008 campaign to youth voters. Brookings Managing Director Bill Antholis and ABC News's Rick Klein moderated the climate change forum, which featured both Brookings experts and advisors to Democratic and Republican candidates. At another forum highlighting how candidates propose to move forward in the struggle against terrorism and extremism, experts tackled national security.

Moving outside Washington, the project has targeted battleground states, which are focal points in the

American political drama. In Reno, Nev., in August, U.S. Sen. Joe Biden and New Mexico Gov. Bill Richardson participated in a Democratic issue forum, which explored education and competitiveness. A Republican forum two days earlier explored democracy and foreign policy.

Health care and the budget was a spotlight at a September forum in New Hampshire. Looking ahead, an Opportunity 08 event on energy is planned for Iowa in October and a forum on national security is planned for Las Vegas in November. A fourth event focused on competitiveness and trade—two issues vital to South Carolina's economy—is set for Charleston in January 2008. ■

Senior Fellow Isabel V. Sawhill discusses the budget deficit and the soaring costs of health care at an Opportunity 08 issues forum at Saint Anselm College in Manchester, N.H.



ARTHUR DURTY

From 1928 to 2008

To find such an open election as 2008, you need to go back to 1928, when President Calvin Coolidge chose not to enter the race, saying that "Ten years in Washington is longer than any other man has had it—too long!" Coolidge's vice president, Charles Dawes, also declined,

since he and Coolidge had feuded since nearly the beginning of their term in office. As a result, neither the sitting president nor his vice president sought the White House, though both were eligible to run. Without an incumbent president or vice president in the race, the contests for both

parties' nominations were wide open.

The closest to such a wide-open election was that of 1952. While fighting an unpopular war in North Korea, President Harry Truman lost the New Hampshire primary and decided not to run for office. His vice president, Alben Barkley, took

a stab at the nomination and lost. Gov. Adlai Stevenson won the Democratic nomination, and proceeded to lose (badly) in the national contest to Gen. Dwight D. Eisenhower.

Though both those elections ended in Republican landslides, what they have in common—and what sets them

apart from every other election in the last 80 years—is that the national dialogue was not about the policies of the incumbent administration. Instead, they were contests about the future. That provided an opportunity for the nation—and in the case of 1928, for both parties—to look forward, not backward. ■



Carlos Pascual (left), vice president and director of Foreign Policy, confers with Sen. Joseph R. Biden Jr. of Delaware before a "Conversation on Iraq" at Brookings in February.

Foreign Policy

In a year marked by escalating international conflict, global challenges and opportunities, the Foreign Policy Program remained at the forefront of almost every major policy debate and challenge. "Foreign Policy experts have made a difference—sometimes affecting better outcomes, in other cases creating checks and balances on official policy, and always seeking to define a better course," said Carlos Pascual, vice president and director of Foreign Policy and holder of the Charles W. Robinson Chair in Foreign Policy.

The Middle East Challenges and Diplomacy

Brookings remained at the forefront of applied policy research on the Middle East under the guidance of Martin Indyk, former U.S. ambassador to Israel and director of the Saban Center for Middle East Policy. The Saban Center boasts top analysts in Senior Fellows Daniel Byman, Kenneth Pollack, and Tamara Cofman Wittes. This year the center welcomed Suzanne Maloney, a political and economic expert on Iran, and Bruce Riedel, an expert on the Middle East, South Asia, regional diplomacy, and counterterrorism.

The Saban Center brought together more than 60 high-level, bipartisan American and Israeli officials and opinion leaders for its third annual Saban Forum in Washington, D.C. Featuring Israeli Foreign Minister Tzipi Livni, former President Bill Clinton, and Israeli Vice Premier and former Prime Minister Shimon Peres, the forum shed light on the key issues in Israeli-Palestinian relations.

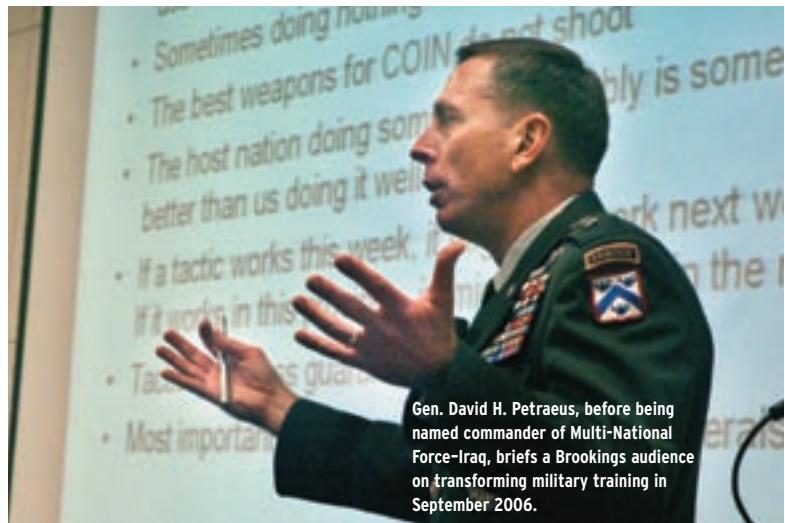
Iraq remained a central issue for Foreign Policy. Brookings experts offered creative approaches to such challenges as brokering peace, managing a soft partition of Iraq, and containing the regional spillover of war. In May 2007, *The Washington Quarterly* published an article co-authored by Pollack and Pascual on "Political Reconciliation and Reconstruction in Iraq," outlining the rationale and path for a diplomatic track that has been largely ignored. And following a trip to Iraq, Senior Fellow Michael O'Hanlon, holder of the Sydney Stein Jr. Chair in International Security, and Pollack argued that progress is being made there in a *New York Times* op-ed that created a buzz on Capitol Hill, in the Bush administration, and among the 2008 presidential candidates. The arguments by O'Hanlon and Pollack underscore the gap between military and political progress in Iraq, focusing attention on the question of what can be sustained militarily without a diplomatic effort to attempt to broker peace.

The Iraq Index under O'Hanlon remained the most effective independent guide tracking progress and failure in Iraq. And Brookings hosted House Majority Leader Steny Hoyer of Maryland and Sens. Joseph Biden of Delaware, Chuck Hagel of Nebraska, and Jack Reed of Rhode Island to examine the situation in Iraq and its implications.

Pascual, O'Hanlon, and Senior Fellows Dan Byman, Ivo Daalder, Philip Gordon, Susan Rice, and Peter Rodman—who joined Brookings this year after serving as assistant secretary of defense for



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international security affairs in the Bush administration—contributed to the leading analyses and recommendations on topics that included containing the spillover effects of an Iraqi civil war, the role for the U.N. in Iraq, Lebanese public opinion, the Iraq Study Group, transforming military training, containing Iran, and the Israeli-Hezbollah war in Lebanon.

The Brookings-Bern Project on Internal Displacement, led by new Co-Director and Senior Fellow Elizabeth Ferris, spearheaded a new report titled “Iraqi Refugees in the Syrian Arab Republic: A Field-Based Snapshot,” which addresses how increasing sectarian violence in Iraq spawned a massive displacement of Iraqis.

At a time of great tension between the United States and the Islamic world, Brookings also focused attention on the vital need for frank and open dialogue between Muslims and non-Muslims at the 2007 U.S.-Islamic World Forum. Spearheaded by Stephen Grand, the forum covered issues ranging from the Palestinian-Israeli conflict, Iraq, Iran, and Lebanon, to the respective roles of religion and government.

Countering Transnational Threats

Brookings launched the 21st Century Defense Initiative (21CDI) this year with a speech by Gen. David Petraeus, weeks before he was named commander of U.S. forces in Iraq. Directed by Senior Fellow Peter W. Singer, 21CDI hosted over 20 events that scrutinized the conduct of today’s wars and examined ways to prepare America for future conflicts.

Brookings Senior Fellows Daniel Benjamin, Riedel, and Singer launched a series of roundtable discussions with leading experts and counterterrorism practitioners; their work has underscored the complexity of the terrorist threat, particularly its decentralization through al Qaeda affiliates emerging especially in North Africa and the Middle East.

Gordon’s book, *Winning the Right War: The Path to Security for America and the World*, probes deeply into the so-called global war on terror, forcing a look behind the rhetoric into what drives terrorist groups, while extracting from the Cold War lessons that can inform the long-term ideological battle against terrorism.

Senior Fellow Susan Rice examined the relationship

between security and development and raised awareness among members of Congress and other policy-makers about the importance of state weakness to U.S. national security.

Brookings experts delved into the controversial leadership of Pakistan’s President Pervez Musharraf—and implications for the United States—as the war on terror continued. In testimony before Congress, Senior Fellow Stephen Cohen argued that the United States made a strategic mistake in basing our Pakistan policy on President Musharraf, stating the United States “needs to change the nature of the relationship with a state whose collapse would be devastating to American interests.”

Foreign Policy experts also contributed to a Brookings-wide energy initiative, producing crucial insights into the role of energy in American and international security decision-making and other issues, including U.S. oil dependence, energy security in China, Russia’s role in the world energy economy, and the interface of climate and energy policy. Senior Fellow David Sandalow’s book on U.S. oil addiction proposes a comprehensive plan for reducing oil dependence over a generation (see Strategic Plan, page 37).

China’s Transition and Challenges in Asia

With China emerging as a major economic power and playing a growing role in the global community, the John L. Thornton China Center, directed by Senior Fellow Jeffrey A. Bader, provided timely and independent analysis, dialogue, and public policy recommendations. In addition to numerous articles, interviews, and media appearances throughout the year, Senior Fellows Jing

Huang, Cheng Li, Wing Thye Woo, and China Energy Fellow Erica Downs authored a number of important policy analyses and original pieces of research.

The Center for Northeast Asian Policy Studies remained a recognized leader in research and analysis of Northeast Asian politics, demonstrating particular expertise on the political standoff between China and Taiwan, the North Korean nuclear crisis, and the evolving U.S.-South Korea relationship. Under the leadership of Richard Bush, who holds the Michael H. Armacost Chair in Foreign Policy Studies, the center operated a leading intellectual exchange program, hosting long-term visiting fellows from China, Hong Kong, Japan, South Korea, and Taiwan.

The Changing International Political Landscape

Foreign Policy launched a major new initiative called *Managing Global Insecurity: American Leadership, International Institutions, and the Search for Peace in the 21st Century*, with a speech by Javier Solana, secretary general of the Council of the European Union, in March. The project focuses on reforming the United Nations and other multilateral institutions as a crucial means to address security challenges like nuclear proliferation, conflict, bio-security, and energy and environmental sustainability.

The Center on the United States and Europe (CUSE) continued to offer a forum for a richer understanding of European affairs and strengthened the dialogue about matters of common interest to Europe and America. Led by new director Daniel Benjamin and research director Jeremy Shapiro, the center produced an array of books,

Brookings Goes Global

monographs, articles, and the Web-based U.S.-Europe Analysis Series, and convened more than 20 policy roundtables with high-profile speakers, including the semiannual DaimlerChrysler Forum on transatlantic relations.

As Turkey prepared for presidential and parliamentary elections, Foreign Policy began a new review of the key role the country will play in regional and international security. Under the leadership of Mark R. Parris, a former ambassador to Turkey, the project brought prominent Turkish experts and officials to Washington for discussions on Turkey's future and implications for Europe and the United States.

Senior Fellow Clifford Gaddy focused on Russia's economy and politics. Gaddy helped shape thinking both inside and outside Russia on that country's long-term development.

In April, in partnership with the Cuba Study Group, Brookings hosted a conference to create a framework for policy change in Cuba. The discussions centered on policy options to empower Cubans within Cuba to act on opportunities to promote change from within.

Since 2003, the conflict in Darfur has worsened, showing no signs of improvement. Brookings kept attention focused on one of the worst humanitarian disasters in the world and stimulated solutions to the crisis. Both Ferris and Susan Rice helped guide the political debate on policy options for Darfur by considering the role of U.N. peacekeeping forces, U.S. policy alternatives, and the gap between global public opinion and the seeming paralysis of the international community to respond to massive and well-documented violations of human rights. ■

Brookings opened a center this year in Beijing and is now opening one in Doha, marking the first time in Brookings history that the think tank has established facilities outside of Washington. The Beijing and Doha centers play a key role in establishing Brookings as a truly global organization by creating a permanent overseas presence and on-the-ground research capability for Brookings experts.

Located on the campus of Tsinghua University, the Brookings-Tsinghua Center in Beijing brings together scholars from Brookings and China in collaborative work to increase the understanding of China's growing influence on the world stage. The office was established through the generosity of John Thornton, chairman of the Brookings Board of Trustees and the founding donor of the Institution's recently launched John L. Thornton China Center.

"Thirty years after the death of Mao, China is an economic powerhouse, a key member of the United Nations Security Council, and a world leader," Thornton said. "Whether the issue is ensuring

energy security, promoting healthy trade, protecting the environment, or preserving peace itself, the futures of the American and Chinese people are increasingly intertwined. The rise of China is likely to weigh heavily in shaping the geopolitics—and geo-economics—of the 21st century."

The Beijing base will facilitate U.S. and Chinese scholars working independently and collaboratively on challenges facing China's development and U.S.-China relations. The project will disseminate research findings in Mandarin and English.

"China, with a population of more than one-sixth of the world, has a surging economy and an increasingly proactive diplomatic strategy," said Xiao Geng, the director of the Brookings-Tsinghua Center. "The Brookings-Tsinghua Center is committed to being the 'go-to' place for research and policy recommendations to help U.S. and Chinese leaders address long-term challenges like energy security, political and economic reform, and China's regional and global security interests."

The creation of the Brookings Doha Center will realize the vision of establishing a center for scholarship, dialogue, and an influential partner-

ship between an American think tank and the Muslim world.

"The purpose of the Center will be to continue to expand the Brookings tradition of independent, in-depth research and quality public policy programs to Qatar and the broader Muslim world through a true partnership between the oldest and largest American think tank—Brookings—and a visionary Muslim state—Qatar," said Hady Amr, the director of the Center. "In doing so, it will seek to forge a lasting partnership between the leading policy-makers and scholars of the United States, and those of the Muslim world."

The Doha Center is a project of the Saban Center for Middle East Policy at Brookings, which also houses its Washington counterpart—the Brookings Project on U.S. Relations with the Islamic World. Leading scholars and visiting fellows at the Center will conduct independent research on socioeconomic and geopolitical issues facing the Muslim world. The Center will also host forums, workshops, and seminars to inform the public policy debate on these issues and will help convene the annual U.S.-Islamic World Forum in Doha. ■



JAC SCHAEFFER

China Study Tour participants mingle at a reception in the Forbidden City in Beijing.



Bruce Katz, vice president and director of the Metropolitan Policy Program, listens to a presentation on the renewal of the Great Lakes region, a cornerstone of the new Brookings Blueprint for American Prosperity.

Metropolitan Policy

Now entering its second decade, the Metropolitan Policy Program has successfully built a demographic, economic, and place-based framework with which to understand the challenges facing metropolitan America. The program this year began a two-year effort to add up its decade of work to put forward a national blueprint for prosperity that builds from place-based successes.

In addition to the Blueprint project, Metropolitan Policy kept up its award-winning research on the full range of challenges facing America's cities and metro regions. During the year, the program issued 57 reports, two books, 185 speeches, and 20 newspaper op-eds and Web commentaries. The public responded by downloading these publications from the Web site more than 760,000 times.

Metropolitan Policy's ample trend research demonstrated that poverty rates are on the rise in both cities and suburbs, with more poor people now living in suburbs than in cities. The Midwest bore the brunt of America's manufacturing job loss. And the very emblem of the American Dream, the middle-class neighborhood, declined as the costs of daily necessities for working families rose.

And as many communities grappled with greater economic insecurity, some simultaneously faced other rapid changes, such as the demands of new immigrants, refugees, and population growth in general—symbolized by the arrival of the 300 millionth American.

"We are learning that political and civic leaders are craving solutions to achieving and maintaining economic prosperity," said Bruce Katz, vice president and founding director of Metropolitan Policy and holder of the Adeline M. and Alfred I. Johnson Chair in Urban and Metropolitan Policy. "This was true in every case where we engaged during the past year. Fact-driven, comprehensive, and practical problem solving to achieve prosperity proved in demand and successful, whether applied at the metro, state, regional, or national level."

Outside the Beltway and Across the Country

In helping New Orleans track and shape the city's rebuilding, Metropolitan Policy documented the progress, or lack thereof, in the region's recovery throughout the year via the monthly Katrina Index. Using Census, IRS, and Postal Service data, the Index's snapshot of the region has been a key resource for policy-makers and was featured on multiple occasions in *The New York Times* as an "op-chart." In cooperation with the Greater New Orleans Community Data Center, Metropolitan Policy will continue the effort, now dubbed the New Orleans Index, on a quarterly basis.

On the policy front, Metropolitan Policy experts pushed for a quality economic turnaround of the region, publishing a wide-ranging proposal for a revived, inclusive, and sustainable New Orleans. It included a continued commitment by federal, state, and local government to work together.

In Maine, the program entered the state this year at a critical economic crossroads. After a period of demographic stagnation, Maine faced rapid development driven by a major acceleration of domestic in-migration from Massachusetts

and the growth of new service and innovation businesses.

“Charting Maine’s Future,” released in October 2006, argued forcefully that sustainable prosperity is not inevitable and suggested a state policy reform agenda. What is now known simply as “The Brookings Report” can fairly be said to have dominated the state’s policy discourse and legislative activity. Thanks to the report, “cut to invest” has become a familiar phrase in Maine, as have such terms as “industry clusters” and “sustainable prosperity.”

“I know this may shock you, but not everything you hear in a

political campaign is 100 percent accurate. This was clear from the recently completed independent Brookings Institution report that exploded many myths about Maine,” said Maine Gov. John Baldacci. “The Brookings study has given us not just a blueprint to improve our economy, but a way to lift the extensive pessimism that permeates this state.”

Perhaps most novel, and most talked about in Maine, has been Brookings’s proposal of a commission to identify inefficiencies in state government and submit a reform package for savings and reorganization to the legislature for an up-or-down vote.

As a first foray into multistate reform, “The Vital Center” examined the Great Lakes region’s industrial legacy and the economic hangover from the seismic shifts in American manufacturing (see Great Lakes, page 25).

To help state and local leaders nationwide understand their regional economies and the policy options available to them, the program released several new products from its Metropolitan Economy Initiative, a multiyear undertaking.

With more than 16 million people and nearly 8.6 million jobs, America’s older industrial cities remain a vital—if undervalued—part of the economy. They present a range of other physical, economic, and cultural assets that, if fully leveraged, could serve as a platform for their renewal. “Restoring Prosperity,” released in spring 2007, aimed to mobilize governors and legislative leaders, as well as local constituencies, behind an asset-oriented agenda for reinvigorating the market in the nation’s older industrial cities.

A report by Mark Muro, John Schneider, and others on ways

to revitalize the “Gateway Cities” of Massachusetts was embraced wholeheartedly by Gov. Deval Patrick. The 11-city study won prominent coverage in *The Wall Street Journal*, *USA Today*, and *The Boston Globe*, as well as in the news media of all the mill and manufacturing towns.

Matt Fellowes’ 12-city study of the inflated prices that lower-income families pay for basic goods and necessities quickly became the most frequently e-mailed item on *The New York Times*’s Web site. Unlike most traditional anti-poverty initiatives, “From Poverty, Opportunity: Putting the Market to Work for Lower Income Families” explored how strategic public investments can match or seed innovative market solutions.

Abroad

Although the Metropolitan Policy Program relentlessly gathered local data for its analyses, the program also looked abroad for both lessons and opportunities. Over the past year, Bruce Katz was a senior adviser to a London School of Economics initiative—the global “Urban Age”—that is designed to develop policies that can address the rapid urbanization in China, India, and elsewhere.

Katz’s presentation on “An Urban Agenda for an Urban Age,” delivered at a major international conference in Berlin in the fall, demonstrated that cities and city regions are the vehicles for achieving major global objectives in the 21st century, and require radically different multidimensional interventions if they are to realize their potential.

Closer to Home

The Greater Washington Research Program helped the



Rep. Jeff Flake (right) of Arizona and Rep. Luis V. Gutierrez of Illinois speak on immigration reform, the prospects and possibilities, at a Brookings discussion in April.

SHARON FARMER

Great Lakes Renewal in the Global Era

city and region's leaders to better understand the issues and options before them. The project influenced thinking and policy development by providing analysis and interacting with elected and appointed officials, community leaders, the private and not-for-profit sectors, the media, and the general citizenry.

During the past year, the focus was on reducing poverty through improved workforce development programming, monitoring the implementation of year-old affordable housing policy recommendations made by a housing task force co-chaired by Director and Senior Fellow Alice Rivlin, initiating research on school quality options for the city, conducting research in support of improving the city's medical safety net, and analyzing major trends and population movement in the Washington region.

Urban Markets

The Urban Markets Initiative was founded to identify information gaps that create barriers to investment in urban markets, develop collaborative solutions, and facilitate usage. This year the project focused on developing a constituency for alternative data in credit scoring, identifying new tools to understand economic performance in underserved retail markets, and building awareness of critical information gaps like informal economic activity.

It also honored Urban Market Pathfinders who demonstrated excellence capturing market potential by investing in communities. They included retailers, developers, cities, and an investor who cleared the path to urban market success to achieve better-performing stores and centers that better connect urban residents to retail goods and services. ■

The Great Lakes region of the United States made America a global agricultural and industrial powerhouse. Today, this highly integrated 12-state economic region is working to reinvent itself during a new era driven by globalization and by demographic and technological change.

The Brookings Metropolitan Policy Program—in partnership with a network of academic, public policy, business and civic organizations—successfully completed the first phase of the Great Lakes Economic Initiative. The initiative, launched in 2005, culminated this year in the development and dissemination of a framing report, "The Vital Center: A Federal-State Compact to Renew the Great Lakes Region."

The report, released in October 2006, describes why the Great Lakes region developed as it did and how it is positioned today to be a global economic player. Offering a candid assessment of what assets the region can build on and the challenges it must overcome, the report also identifies ways that Great Lakes states can strengthen their economies. It urges the region to collectively pursue an integrated state, multistate, and national policy agenda.

In addition to receiving substantial media coverage, state, regional, and local leaders have recognized the effort as a compelling one.

Reps. Vern Ehlers and John Dingell of Michigan, as well as Sen. Carl Levin of Michigan, all co-chairs of the Great Lakes Congressional Caucus, have expressed interest in using the report to guide policy. Additionally, Gov. Jim Doyle of Wisconsin and Gov. Tim Pawlenty of Minnesota are using the report to inform their regional and national leadership agendas.

The municipal leagues of the region are also meeting, with Brookings support, to craft state and federal policy agendas for their organizations based on the Vital Center and Great Lakes Economic

Initiative recommendations.

Taking a holistic approach, Brookings has worked with leading environmental organizations to leverage natural and environmental assets for economic development. For instance, the initiative recently released a cost-benefit analysis showing substantial returns to the region if the Great Lakes were to be cleaned up.

The Great Lakes Economic Initiative is also a critical part of the Brookings Blueprint for American Prosperity, which advances federal policies central to U.S. competitiveness and provides independent and powerful ideas to shape the 2008 campaign debate and the work of the next administration.

The Metropolitan Policy Pro-

gram initiated the Great Lakes initiative under the leadership of John C. Austin, a Brookings nonresident senior fellow and vice president of the Michigan State Board of Education, in response to growing interest among Great Lakes leaders for strategic thinking about the future economy of the region.

The Great Lakes Economic Initiative is supported by the Canadian Department of Foreign Affairs and International Trade, CMS Energy Corporation, the Community Foundation for Southeast Michigan, DTE Energy, the Ford Motor Company Fund, the Joyce Foundation, KnowledgeWorks Foundation, Michigan State University, and the University of Michigan. ■

Nonresident Senior Fellow John C. Austin describes how the cities and states surrounding the Great Lakes are positioned to be global economic players.



RALPH ALSWANG



Linda Steckley, vice president of development,
consults with Trustee James D. Robinson III at a
Brookings reception.



Support for Brookings

Donors Seed New Growth

Philanthropic generosity has been the foundation of Brookings since its inception in 1916, and the continued growth of programs depends on an ever-growing group of financial supporters. With important support from foundation, corporate, and individual donors, Brookings experts can conduct the cutting-edge research for which Brookings is known. As new policy challenges emerge, contributors enable Brookings experts to explore solutions. Funding flow is balanced to respond to current issues as well as to undertake long-term research projects.

Thanks to the critical support of its benefactors, Brookings is on sound fiscal footing after a five-year growth spurt. The annual budget has nearly doubled—from \$36.5 million in 2002 to \$60.6 million in 2007. Foundation, corporate, and individual donors provided the project and general operating support to achieve this tremendous growth and contributed to Brookings's endowment. Commitments of new funds to Brookings increased 93 percent this fiscal year.

The year ushered in a variety of challenging policy issues that were tackled with the intellectual rigor and multidisciplinary approach that remain Brookings's hallmark. As events broke at home and around the world, Brookings experts had the flexibility to focus their attention on analyzing new developments and formulating policy recommendations to respond to them. This flexibility—to act in a timely way without waiting to secure specific project funding—comes in large part from Brookings's endowment and increased general operating support. These crucial funds enabled experts to apply their research and policy-making skills when and where fresh insights mattered most.

Of course, Brookings's research agenda was not merely reactive; its scope extended to policy issues just over the horizon. Again, these flexible funds gave Brookings the latitude to explore important areas that have not yet gained wide attention but nonetheless loom in the future. And as Brookings sought to expand into new areas of study, endowment and general operating support provided critical seed funding to propel these ventures forward.

Maintaining Brookings's position at the forefront of the policy debate required the financial backing to remain competitive, not only in Washington, but also globally. Thanks to the generosity of Brookings Board Chairman John Thornton, Brookings launched the John L. Thornton China Center in conjunction with the Brookings-Tsinghua Center (BTC) at Tsinghua University in Beijing. The China Center and BTC focus on independent analysis and policy recommendations to help U.S. and Chinese leaders address key long-term challenges.

As China is seen as the world's foremost emerging power, and its rise is considered one of the most important geopolitical events of this century, Brookings is now well-positioned to have a lasting impact on U.S.-China relations.

Engaging Individuals in the Brookings Council

The Brookings Council brings together thoughtful business and community leaders actively interested in policy issues, providing them with a first glimpse at Brookings research on wide-ranging and urgent issues.

Members of the Council enjoyed opportunities this year to attend events in cities from coast to coast, including nearly 20 events in New York, Boston, San

Welcoming New Trustees

Brookings's Board of Trustees draws from the nation's foremost business executives, academics, community leaders, and former government officials. The Board, which meets three times a year, provides governance of Institution business, approves the fields of scholarly investigation, and safeguards the independence of Brookings's work. In 2007, Brookings elected four new trustees and one honorary trustee to the Board:

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Trustees Alan Batkin and Beatrice Welters socialize before the February Board dinner at the U.S. Chamber of Commerce.

RALPH ALSWANG

Francisco, Los Angeles, and Washington. These sessions allowed the Council to engage with each other and some of the best public policy minds in the world today.

Such interactions were highlighted at the 2007 Brookings Council Annual New York Forum titled "Road to the White House: Will Issues Matter?" President Strobe Talbott moderated a panel of Brookings experts on issues at the forefront of the 2008 election—competitiveness and international trade, energy and the environment, and terrorism and Iraq. Participating Council members were able to challenge panelists and offer their own informed responses, giving Brookings experts a chance to hear what is on the minds of Council members and to reply with up-to-the-minute analysis.

Other Brookings Council events this year with dynamic, cross-cutting dialogue included Kenneth Pollack on the Middle East, Thomas Mann on the midterm elections, and Lael Brainard on international trade and the global economy.

Council members remain essential partners in the advancement of independent public policy research. The Brookings endowment generates the funding for approximately 19 percent of Brookings's operating budget, but the remaining 81 percent comes from the generous support of Brookings's donors. As Brookings's leading benefactor, the Council

provides the resources to fulfill our critical mission of independent research and innovative policy solutions. The commitment of the Brookings Council is key to the continued success of Brookings, its ability to provide high-quality analysis and realistic policy recommendations, and to reaching a wide range of audiences for the greatest impact.



Victor Fung, a member of the International Advisory Council, presents at a meeting at Brookings.

RALPH ALSWANG

Impact on Health Care Reform

Health care is a pivotal policy issue that Brookings is tackling with the help of several generous donors. "Brookings's long history of thoughtful impact on public policy has the potential to make a real difference in the steps that are taken to fix the broken health care system," said Alfred B. Engelberg. Engelberg and fellow trustee Leonard D. Schaeffer made generous gifts this year to a new Brookings endeavor in health care (see Engelberg Center, page 8).

Engelberg, a Brookings trustee elected in May 2007, committed a lead gift to create the Engelberg Center for Health Care Reform at Brookings. A grant from the Engelberg Foundation underwrote the Center's initial five-year operational activities. Engelberg, a patent attorney with expertise in the generic drug industry, currently devotes his time to philanthropic work

and to policy issues related to affordable medicines and intellectual property rights in the United States and around the world.

Schaeffer, a member of the Brookings Board of Trustees since 2000, committed \$4 million to endow the Leonard D. Schaeffer Director's Chair. "The time has come to develop and enact reforms that enhance cost control, clinical effectiveness, access to health care for underserved populations and the preparation for and management of public

health crises," Schaeffer said. "As the focus on health care reform increases, the Center will prove to be a powerful force in shaping health policy." Schaeffer has seen firsthand the challenges of reforming the health care system, both in the private and public sectors. Currently the chairman of Surgical Care Affiliates, he was chairman and CEO of WellPoint, Inc. until 2005 and previously served in the Carter administration and in Illinois state government.



Alfred Engelberg

The Engelberg Center's agenda will focus on four key priorities for long-term change: improving the quality of medical care; increasing access to affordable coverage; encouraging rapid and effective innovation for the development of more personalized medicines; and reducing costs for public and private programs. Brookings Senior Fellow Mark B. McClellan, M.D., Ph.D., has been appointed as the Center's founding director, and will hold the Leonard D. Schaeffer Director's Chair. McClellan is a former commissioner of the Food and Drug Administration and administrator of the Centers for Medicare and Medicaid Services.

These donors have set the philanthropic groundwork for others to follow, marking a pivotal moment to make a difference in the health care reform debate. Their confidence and support gives Brookings the opportunity to have greater impact on arguably the most important domestic policy issue today. ■



Leonard and Pamela Schaeffer
on the China Study Tour.

The Vital Role of Foundations

The generous support of Brookings's foundation donors enabled experts to conduct the path-breaking research that helps inform American policy-making, while also preserving a 91-year commitment to quality, independence, and impact. Foundation grants accounted for a majority of direct project support. Founda-

tion grants this year represented 41 percent of total new project funding commitments.

Highlighted below are two foundations that provided significant support to Brookings in fiscal year 2007.

The **Bill and Melinda Gates Foundation** gave the largest foundation grant this year—a two-year, \$3.18 million grant to

Global Economy and Development to support a new initiative that evaluates global health financing proposals to determine the most effective ways to fund health care programs in developing countries. Brookings experts are examining where financing programs using public, commercial, philanthropic, and aid-based funds have the most impact.

Katsuhiko Nakagawa and Wanda Rapaczynski participate in an International Advisory Council discussion on energy security and climate change.



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"We hope that this initiative will encourage new investments in global health by identifying some of the most efficient and effective ways to give," said Joe Cerrell, director of Global Health Advocacy for the Gates Foundation. The **Rockefeller Foundation** made more than \$966,000 in new commitments in fiscal year 2007 to the Metropolitan Policy Program, helping Bruce Katz and his team of experts conduct cutting-edge research and policy development to advance healthy metropolitan growth and economic prosperity. The program was honored to play a lead role in conceptualizing and organizing the U.S. component of the 2007 Rockefeller Foundation Global Urban Summit at the Foundation's Bellagio Study and Conference Center in Italy. With this year marking the first time in history that half of the world's population lives in urban regions, the Bellagio Summit convened leaders worldwide to explore opportunities to foster healthy and sustainable cities. The event offered the Metropolitan Policy

Doing Well By Doing Good: Charles W. Robinson

To make a planned gift to Brookings, it helps to be selfish. Does this sound like a contradiction? "Surprisingly, no," said Brookings's Honorary Trustee Charles W. Robinson, who established a charitable remainder trust in 2004—and added to it this year.

Robinson funded the Charles W. Robinson Chair in Foreign Policy by adding \$2 million to his existing charitable remainder trust, bringing the total to over \$3 million. "If I live for some time longer, as I seriously plan, I will gain from my gift to Brookings. To me, that's doing well by doing good! So, yes, I've been very happy to be selfish and to have provided well for Brookings at the same time," Robinson said.

Donors like Robinson, who make provisions for Brookings in their estate plans, assure Brookings a steady stream of income for years to come. By creating, and then adding to, a charitable remainder trust with appreciated securities, Robinson increased his income substantially from previously low-yielding securities.

Robinson's sage advice and wise counsel have been a cornerstone of the Brookings's Board of Trustees for the past 30 years. Elected in 1977, he became an honorary trustee in 1984. Robinson currently operates several businesses, including Robinson and Associates, CBT Co., and M Ship Co. With wide experience in industry and investment banking, Robinson also worked with Henry Kissinger for three years and was appointed deputy secretary of state in 1976. In the private sector, with M Ship and the U.S. Navy, Robinson recently created the prototype for the 80-foot boat Stiletto, whose breakthrough design earned it *TIME* magazine's selection as the best armed forces invention of 2006.

Robinson climbed the Great Wall during the 2006 Brookings Study Tour to China, proving to all his durability. Although Brookings will not receive his endowment gift during his lifetime, Robinson makes an annual gift in an amount equal to an endowment distribution to support the Robinson Chair, currently held by Vice President Carlos Pascual. ■

Donor and Honorary Trustee Charles Robinson speaks at the May Board of Trustees dinner at the State Department among a group that includes Eric S. Edelman (left), undersecretary of defense for policy.



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Program a special opportunity to further a multiyear, Brookings-led effort to develop major federal reforms in the United States.

Corporate Investment in Brookings Ideas

Corporate donors play a vital role at Brookings, deepening research capacity and expanding impact. Thanks to the generous support

of these important benefactors, Brookings has maintained its leadership in public policy research. Brookings is grateful for the financial and intellectual support that corporate donors provide, and the Institution's scholars also value their business-world perspectives on important issues.

In particular, several compa-

nies made major contributions to Brookings this year, including Exxon Mobil Corporation, Pfizer, AT&T, and Alcoa. Their generous support demonstrates the high value they place on commitment to quality, independence, and impact.

Business leaders also contributed financially and intellectually through the Metropolitan

Leadership Council, a group of major philanthropies, corporations, and community and civic leaders that is guiding the design, development, and marketing of a forthcoming major reform initiative, Blueprint for American Prosperity.

Launched in 2006, the Council is politically and geographically diverse and includes representatives from many economic sectors. By participating in the Council, members have the opportunity to interact with Brookings research staff and a nationwide network of city and county elected officials, university presidents, and metropolitan business alliances. Some of the key founding corporate members include Allstate, Bank of America, Countrywide Financial, H&R Block, and Next Street Financial.

Throughout the year, Brookings Corporate Council members enjoyed many opportunities to interact with Brookings experts on a broad range of domestic and international topics. Brookings experts led discussions on such timely issues as energy and trade policy and the war in Iraq at the popular monthly lunch and breakfast series. The annual President's Lunch featured Strobe Talbott offering his perspectives on the United States and the world in the context of the upcoming presidential election and looking ahead to the challenges that the next administration will face.

Brookings Experts Lead Study Tour to China

The October 2006 Brookings Study Tour to China gave 50 trustees and friends of Brookings an intense yet wide-ranging look at the world's most populous nation. The study tour—led by Board Chairman John L. Thornton, President Strobe Talbott,

International Advisory Council

Senior Fellow and Director of the China Center Jeffrey Bader, and Senior Fellows Cheng Li, Jing Huang, and Wing Thye Woo—began with a brief stop in the capital, Beijing. The travelers then made their way to Urumqi and Kashgar, in the ethnically “autonomous region” of Xinjiang on the edge of Central Asia. From there the group traveled to the western city of Chongqing (with 32 million dwellers), back to Beijing and on to Shanghai (see China-Doha, page 21).

Each city showed evidence of the booming Chinese economy. Construction cranes were hard at work adding to the skyline of Shanghai, while Chongqing has plans to harness the hydropower of the Three Gorges Dam. The delegation found many of the political leaders, entrepreneurs, academic experts, and journalists willing to talk forthrightly about current issues of the day.

The group had the privilege of taking part in a 75-minute discussion with Premier Wen Jiabao in the ruling elite’s enclave of Zhongnanhai near the Forbidden City. A high point of the study tour was a visit to Beijing’s Tsinghua University, where the group participated in the launch of the Brookings-Tsinghua Center, Brookings’s first overseas office.

After almost two weeks in China, the Brookings group headed home awed by the progress the Chinese have made in a few short decades and sobered by the magnitude of challenges their nation faces. While there is a temptation to think of China in terms of a balance sheet of positives and negatives, a static matrix fails to capture the sense of momentum and transformation felt at every stop. Looking to the future, most came away with guarded optimism. ■

The International Advisory Council (IAC) helps Brookings create a meaningful dialogue with international business leaders, extend its outreach and relevance to other countries, and increase its ability to inform the American public and policy-makers about perceptions in other parts of the world.

Representing 20 countries on six continents, the IAC members provide invaluable advice and support for Brookings as it becomes an increasingly global think tank. They offer their diverse perspectives on developments in their regions along with candid insights into how America and its policies are received.

The IAC held its second annual meeting in Washington, May 6-8, 2007, with a focus on energy and its implications for national policy, international security, development, and the environment. Members engaged in a focused set of conversations with Brookings scholars, senior staff, and trustees—and with one another—as well as with Secretary of State Condoleezza Rice, Undersecretary of State for Political Affairs R. Nicholas Burns, Assistant Secretary for East Asian and Pacific Affairs Christopher Hill, and a number of U.S. senators and representatives.

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Secretary of State Condoleezza Rice joins Brookings President Strobe Talbott at an IAC meeting.

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Frank Weil

*deceased

Brookings Institution Press

t's not every year that a Brookings Institution Press author briefs White House officials, meets with Pakistani President Pervez Musharraf, is interviewed by such diverse publications as *The Guardian* and *The Muslim News*, lectures at the London School of Economics, and has his book launch party at the House of Lords in London. But all that happened to Akbar Ahmed, a visiting fellow at Brookings and author of *Journey into Islam: The Crisis of Globalization*. In one of Brookings's most popular books in 2007, Ahmed relates how he attempted to reduce the fear and mistrust

L. Byman and Kenneth M. Pollack. In their book, Byman, a nonresident senior fellow with Brookings's Saban Center for Middle East Policy, and Pollack, a senior fellow and research director for the Saban Center, offer specific recommendations to U.S. policy-makers for preventing the "disastrous" spread of the conflict in Iraq to other nations in the region.

Two Brookings books this year dealt with global poverty: *Too Poor for Peace? Global Poverty, Conflict, and Security in the 21st Century*, edited by Lael Brainard and Derek Chollet, and *Reducing Global Poverty: The Case for Asset Accumulation*, by Caroline Moser. Brainard,

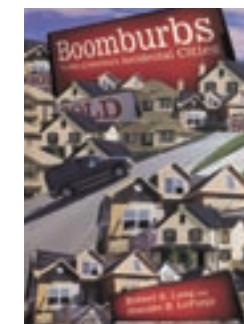
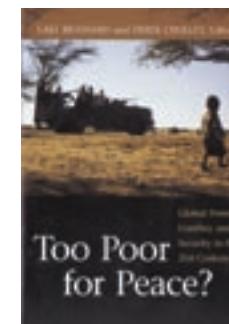
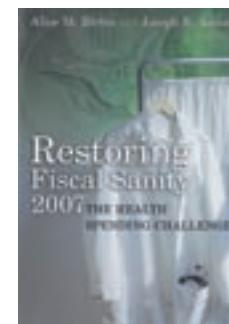
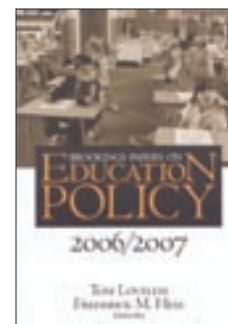
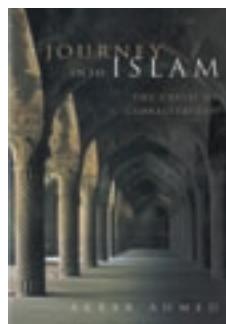
ical and economic system made it unstable and bound to collapse.

Gaidar was a government official in Russia, eventually serving as acting prime minister in Boris Yeltsin's regime. He played a major role in Russia's economic transition from communism. In 2006, Gaidar became seriously ill, leading to speculation that he had been poisoned by political enemies.

Among the Brookings books focused on important domestic issues was the 2007 edition of *Restoring Fiscal Sanity: The Health Spending Challenge*, edited by Alice M. Rivlin and Joseph R. Antos. Rivlin, a senior

pressure on the school districts to examine the ramifications of school size and class size. In *Brookings Papers on Education Policy: 2006/2007*, Senior Fellow Tom Loveless and Frederick M. Hess at the American Enterprise Institute examined what we do know about optimal class size. The edited volume includes other nationally recognized experts on the issue.

All together, Brookings published about 50 books during the year. A number were honored with prestigious literary awards. The National "Best Books" Awards included *Through Their Eyes: Foreign Correspondents in*



between the Islamic world and the West by leading a group of young American students on a tour of nine Muslim countries in the Middle East, South Asia, and Far East Asia.

"The interplay between the Muslim and the American young people during the tour showed there's an opening for dialogue, understanding, and closer relations between the two cultures," said Robert L. Faherty, vice president and director of the Brookings Institution Press.

America's current and future relations with the Islamic world are also the subject of another important Brookings book—*Things Fall Apart: Containing the Spillover from an Iraqi Civil War*, by Daniel

vice president and director, Global Economy and Development, and Chollet, a nonresident fellow in the program, present papers by a number of scholars detailing how combating poverty around the world can increase national and international security. Using case histories from Ecuador, Indonesia, and El Salvador, Moser, a nonresident senior fellow, explains how providing the poor with assets, such as small loans to establish businesses, can greatly improve their lives.

Another author with firsthand knowledge of his subject is Yegor Gaidar, author of *Collapse of an Empire: Lessons for Modern Russia*, which contends that the very nature of the Soviet Union's polit-

fellow at Brookings, and Antos, a health care expert at the American Enterprise Institute, present a collection of papers warning that unless the growth of spending on health care—particularly for the elderly—is controlled, there will be little money left for other important services.

In a volume titled *Boomburbs: The Rise of America's Accidental Cities*, Robert E. Lang and Jennifer B. LeFurgy make the point that places like Anaheim, Calif.; Coral Springs, Fla.; and North Las Vegas, Nev., which began as suburbs of large cities, have grown rapidly into "accidental cities" of their own.

The national policy push to leave no child behind puts extra

the United States by Stephen Hess. The International Political Science Association named *Targeting Social Programs* by Peter H. Schuck and Richard J. Zeckhauser as an honorable mention winner in its Charles A. Levine Memorial Book Prize competition.

Another award-winning book from Brookings was *The Geography of Opportunity: Race and Housing Choice in Metropolitan America*, edited by Xavier de Souza Briggs. This volume, which explores why segregation in housing persists, won the Paul Davidoff Award, presented every two years by the Association of Collegiate Schools of Planning to the best book on planning that addresses social and racial justice issues. ■

Center for Executive Education

Brookings convened its first Conference for Federal Executives in 1957. In his opening remarks, then-Brookings President Robert Calkins called the meeting “an experiment in method” and encouraged “personal, frank discussion.” The conference planted the seeds for the Brookings Center for Executive Education (BCEE) and, 50 years on, the ideas surrounding

the inaugural conference still resonate. While supporting the development of more than a thousand federal executives every year through its public leadership curriculum, BCEE promotes Brookings’s research through programs designed to illuminate critical policy issues.

As Brookings has sought to respond to the full range of challenges facing an increasingly interdependent world, BCEE worked with Brookings experts to deliver intensive policy updates to defense strategists within the

executive branch and to offer open-enrollment seminars in the Middle East and Europe. “The widening global perspective has become essential to every executive working in this country,” said Terry Goodwin, BCEE director. “Brookings’s global reputation, and the outside experts we tap overseas, gives BCEE an opportunity to offer this kind of experience, helping America’s leaders to widen their horizons and to build useful networks worldwide.”

This year, growing numbers of public and private sector execu-

tives attended open-enrollment programs, spent up to a year on Capitol Hill as congressional fellows, or learned to become “everyday advocates” through company-specific programs. In the last four years, BCEE welcomed more than 9,000 participants from 44 states and 24 countries. More than 20 Brookings experts are regular contributors to BCEE programs. Guest speakers this year included Iraq Study Group co-chair Lee Hamilton; Rep. Stephanie Herseth Sandlin of South Dakota; Ana Marie Cox, the Time.com correspondent formerly known as Wonkette; and H.E. Amr Moussa, secretary general of the League of Arab States.

For the fifth year, BCEE provided professional education for hundreds of justices from state supreme courts and appellate courts. Also, BCEE introduced the Brookings Certificate in Public Leadership for federal executives who seek to develop the competencies the Office of Personnel Management requires of candidates seeking appointment to the Senior Executive Service. Twenty certificates were awarded in the first 18 months, with 60 participants actively engaged in the program. “The emphasis is on self-awareness and personal mastery, encouraging executives to develop new mindsets and practice different behaviors. Others concentrate on our policy programs, learning how to operate most effectively between branches of government,” said Goodwin.

As BCEE prepares for its next half-century, it remains committed to providing innovative public leadership and public policy programs that underpin Brookings’s values and advance the abilities and careers of corporate and government leaders. ■



Former Rep. Lee Hamilton of Indiana signs copies of the *The Iraq Study Group Report* at a Brookings Center for Executive Education event.

RALPH ALSWANG

Brookings Strategic Plan for Its Tenth Decade

Many articulate voices at the Brookings Board of Trustees meeting in May finalized a strategic plan to guide Brookings to its 100th anniversary in 2016. Concentrating on the first phase—the next two years—the plan sets out an agenda that is both ambitious and disciplined, and is consistent with our enduring mission and our mutually reinforcing values of quality, independence, and impact.

The first phase will take us to January 2009. Besides having impact over those two years, January 2009 will be a critical moment as the next

President of the United States will have to address a range

of challenges. Brookings will be well-prepared to help inform that effort.

Three factors guided priorities in developing this strategic plan: the needs of the country; the competitive advantages of Brookings; and the capacity and independence of our experts to ask the right questions and come to what they feel are the right answers.

In a process led by Brookings Managing Director William Antholis, five policy areas were designated as "All-Brookings" priorities—energy, health care reform, competitiveness, education, and migration. "Leaders from both parties have identified these policy areas as national priorities where cooperation across the aisle is both possible and necessary," said Antholis. "With all five research programs offering innovative ideas on these topics, our depth and breadth make a singular contribution to the national debate and to national action."

"Forging ahead to reach this point took constant, focused discussion and an enormous amount of wisdom," said Strobe Talbott, president of Brookings. "It also took a committed group of trustees will-

STRATEGIC PLAN

TENTH DECADE, PHASE ONE (2009-2011)

BROOKINGS

PETER KROGH

Sen. Richard G. Lugar of Indiana (left) discusses his plans for the future of energy security with Brookings Chairman John L. Thornton.

Brookings Trustee Daniel Yergin, chairman of Cambridge Energy Research Associates, contributes to the "All-Brookings" priority area of energy.

PETER KROGH

ing to contemplate what Brookings can achieve in its second century and to commit considerable efforts toward that achievement. And, it took a chairman like John Thornton to think through how ideas could solidify into a real plan."

The strategic plan reaffirms the role and updates the agenda of Brookings's five research programs. Each of the programs, under the leadership of its director, aspires to provide a significant contribution to the public debate. Some of the most critical challenges and opportunities facing the United States and the world require insights and recommendations from the experts

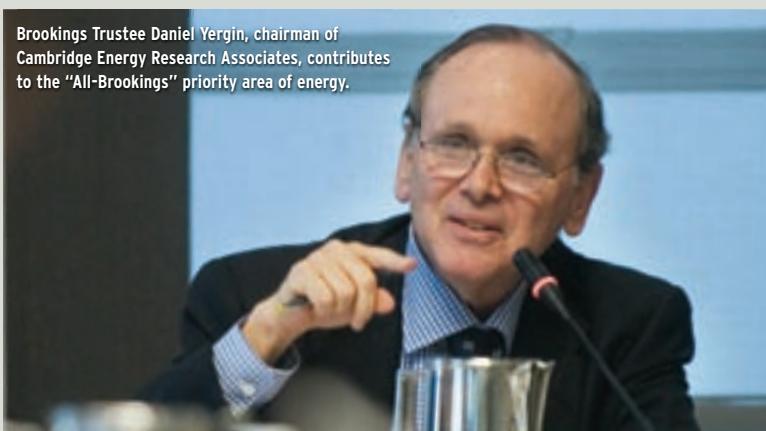
within these programs—economists, demographers, constitutional experts, diplomats, and national security strategists, among others.

A strategic plan, of course, is only as good as the Institution's ability to deliver on its core goals. The strategic plan explains why we need an additional \$5 million a year in "fundamental resources"—reliable, flexible funds. The plan also lays out standards and benchmarks for strategically smart and fiscally sound growth.

"An investment in Brookings is a prudent one, as its second century promises to be even more productive than the first," said

Brookings's Board Chairman John Thornton. "Just a few of our landmark contributions to public policy thus far include implementation of the original Social Security system, design of the Marshall Plan, and the overhaul of homeland security. The challenges of the future demand an ever more strategically positioned Brookings."

Increasing the reach and impact of our research is also key to the strategic plan. To prepare the Institution to reach wider audiences in the rapidly advancing technological age, our redesigned Web site can now transmit audio-visual statements from our experts in immediate response to breaking news. Thousands of papers across the many fields of study can be easily searched and downloaded by policy-makers, academics, and the broad public. Besides being easily accessible and able to broadcast a wealth of material, our new Internet presence projects a new look, one that more boldly declares that Brookings has consistently been the preeminent American think tank, and intends to remain so into 2016 and beyond. ■



STATEMENT OF ACTIVITIES

 Years Ended June 30, 2007 and 2006 (in thousands)
 (Unaudited)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2007 TOTAL	2006 TOTAL
OPERATING REVENUES					
Investment return designated for operations	\$ 12,496			\$ 12,496	\$ 11,096
Grants and contracts	1,521	\$64,822		66,343	33,141
Contributions	4,734			4,734	3,466
Conferences	3,955			3,955	4,230
Brookings Press	2,482			2,482	2,533
Information Technology Services	21			21	25
Interest and dividends	268			268	157
Rental income, net	217			217	243
Visiting scholars	108			108	100
Other income	152			152	7
Net assets released from restrictions—					
Grants and contracts	35,613	(35,613)		0	0
Total Operating Revenues	61,567	29,209		90,776	54,998
OPERATING EXPENSES					
Program services					
Economic Studies	9,787			9,787	7,598
Foreign Policy	12,850			12,850	11,130
Global Economy and Development	5,337			5,337	2,839
Governance Studies	2,298			2,298	1,864
Metropolitan Policy Program	7,006			7,006	5,876
Other research	934			934	233
Center for Executive Education	5,527			5,527	5,133
Brookings Press	2,835			2,835	2,709
Communications	2,242			2,242	1,113
Total Program Services	48,816			48,816	38,495
Supporting services:					
Management and General					
Information Technology Services	2,864			2,864	2,673
Administration	6,516			6,516	5,022
Interest expense	24			24	32
Post-retirement benefits	111			111	131
Total management and general	9,515			9,515	7,858
Development	2,412			2,412	2,453
Total Operating Expenses	60,743			60,743	48,806
Operating revenues over operating expenses	824	29,209		30,033	6,192
NON-OPERATING ACTIVITIES					
Investment return in excess of amounts designated for operations					
Realized gain on sale of investments	20,203			20,203	20,938
Unrealized gain from investments	28,207			28,207	3,968
Interest and dividends, net	1,424			1,424	1,718
Investment income allocation	(12,496)			(12,496)	(11,096)
Contributions			1,883	1,883	973
Reclassification of Temporarily Restricted Net Assets based on Donor's Consent		(588)	588		
Change in net assets from investment activities	37,338	(588)	2,471	39,221	16,501
INCREASE IN NET ASSETS	38,162	28,621	2,471	69,254	22,693
Net assets at the Beginning of the Year	203,982	42,036	46,414	292,432	269,739
Net assets at the End of the Year	\$242,144	\$70,657	\$48,885	\$361,686	\$292,432

STATEMENT OF FINANCIAL POSITION

As of June 30, 2007 and 2006 (in thousands)

(Unaudited)

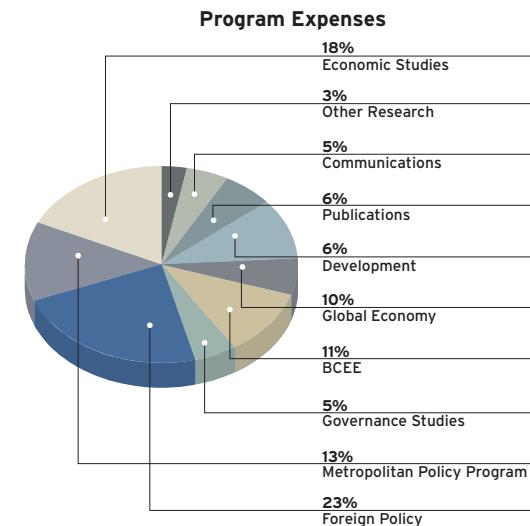
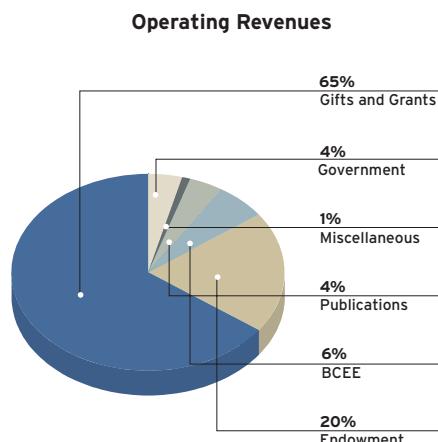
	2007	2006
ASSETS		
Cash and cash equivalents	\$ 8,293	\$ 8,347
Accounts receivable	3,694	1,859
Grants and contracts receivable	52,680	26,984
Pledges receivable	2,471	1,102
Accrued investment income	321	514
Inventory	538	562
Investments, at fair value	291,704	251,199
Land, buildings and equipment, net	12,891	11,358
Other assets	1,687	616
TOTAL ASSETS	\$374,279	\$302,541
LIABILITIES		
Accounts payable and accrued expenses	\$ 5,387	\$ 3,102
Accrued compensated leave	1,884	1,685
Accrued post-retirement benefits	4,681	4,622
Notes payable	28	150
Deferred revenue	613	550
TOTAL LIABILITIES	12,593	10,109
NET ASSETS		
Unrestricted	242,144	203,982
Temporarily restricted	70,657	42,036
Permanently restricted	48,885	46,414
Total Net Assets	361,686	292,432
TOTAL LIABILITIES AND NET ASSETS	\$374,279	\$302,541

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.



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