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1916–2006

Annual Report 2006

Sen. Chuck Hagel,
Brookings Institution's
90th Anniversary
Leadership Forum,
July 28, 2006:

“Brookings has been at the center of every important policy debate in this country for 90 years. . . . Ninety years after the creation of the Brookings Institution, we live in a different world, but once again a world in transition. . . . American leadership is still indispensable.”

The Century Foundation, *The Best and Worst in the Aftermath of Hurricane Katrina*, December 25, 2005:

“[The Brookings Institution Metropolitan Policy Program Director] Bruce Katz and his staff have done a tremendous job of documenting the federal response to Hurricane Katrina. Their analysis is clear and their recommendations strong and on target.”

Robert G. Kaiser, associate editor of *The Washington Post*, in a review of *The Broken Branch*, August 13, 2006:

“[Thomas Mann of Brookings and Norm Ornstein of AEI] are members of what, sadly, may be a disappearing breed in Washington: independent-minded, knowledgeable experts whose concern for process is stronger than their desires for particular outcomes. . . . Their devotion to Congress has won them admirers from all points on the political spectrum.”

Sen. Barack Obama, on The Hamilton Project launch, April 5, 2006:

“[The Hamilton Project is the] breath of fresh air that I think this town needs. . . . I am glad that Brookings has been willing to provide a home for this wonderful effort.”

Robert Zoellick, former United States Deputy Secretary of State, on the launch of the John L. Thornton China Center, October 9, 2006:

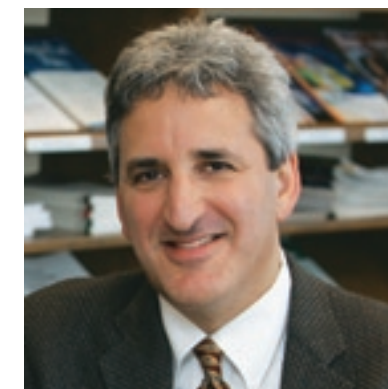
“Jeff Bader’s unsurpassed expertise, insight and experience in leading the new John L. Thornton China Center, combined with the Brookings Institution’s commitment, couldn’t come at a more important time in Sino-American relations.”

Amartya Sen, Nobel Laureate in Economics, October 11, 2006:

“I am delighted that Brookings is taking an active interest in problems of development and the global society. The new Wolfensohn Center for Development is a very welcome move in just the right direction, and it nicely supplements what is happening under the new Global Economy and Development Program at Brookings.”

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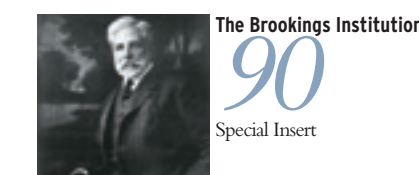
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Reporters interview Sen. Chuck Hagel of Nebraska after his remarks at a Brookings 90th Anniversary Leadership Forum on U.S. Foreign Policy in the Middle East.

The Brookings Institution is a private nonprofit organization devoted to independent research and innovative policy solutions. For 90 years, Brookings has analyzed current and emerging issues and produced new ideas that matter—for the nation and the world.

- For policy-makers and the media, Brookings scholars provide the highest quality research, policy recommendations, and analysis on the full range of public policy issues.
- Research at the Brookings Institution is conducted to inform the public debate, not advance a political agenda. Our scholars are drawn from the United States and abroad—with experience in government and academia—and hold diverse points of view.
- Brookings’s goal is to provide high-quality analysis and recommendations for decision-makers in the United States and abroad on the full range of challenges facing an increasingly interdependent world.

It has been 90 years since Robert S. Brookings founded America's pre-eminent policy research organization. He had come to Washington from the Midwest to help the United States government prepare to rescue a world that was aflame in "the Great War." America was just emerging as a major power at a time when European empires were in decline or on the verge of disintegration. Three decades later, in the aftermath of World War II and at the outset of the Cold War, Brookings scholars were deeply involved in designing the United Nations and the Marshall Plan.

Today, the international system faces new challenges. Five years after 9/11, the United States, along with its allies and partners, is wrestling with a combination of unprecedented dangers and all-too-familiar conflicts. The war in Iraq entered its third year with no end to the violence in sight. The Middle East has suffered further setbacks to the peace process. The North Korean nuclear test and the Iranian program to develop a bomb of its own threaten regional peace and the worldwide nonproliferation regime. The public and policy-makers have woken up to the reality of global warming.

Brookings scholars are intensely engaged on all these issues, conducting cutting-edge research on the problems and developing bold but pragmatic ideas for their solution. No matter what their areas of expertise, they—like all of us—are aware of the growing importance of China.

Just as the emergence of the United States on the world stage was a crucial factor 90 years ago, the rise of China is likely to weigh heavily in shaping the geopolitics—and geoeconomics—of the 21st century. That nation, with a population of more than one-sixth of humanity, has a surging economy and an increasingly proactive diplomatic strategy. 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.

Having spent much of my career in East Asia and the last several years working in China, I have supported the opening of a new China Center, based in Washington but with an office in Beijing. While breaking new ground, the center will uphold our signature standards of quality, independence, and impact.

The China Center joins other innovations of Brookings's 90th-anniversary year: the creation of the Global Economy and Development Program, the Wolfensohn Center for Development, the Hamilton Project, and the International Advisory Council. These new ventures will work closely with our other research programs and centers to advance Robert Brookings's original vision for the Institution that bears his name. He knew, and so do we, that being the best American think tank carries with it an obligation to think—and act—globally.



John L. Thornton, Brookings chairman

Strobe Talbott, Brookings president

As we celebrate the Institution's 90th anniversary, all of us at Brookings have been giving fresh thought to the challenge of fulfilling our core mission—policy research that meets the highest standards of quality, independence, and impact—in a rapidly changing political landscape, both in the United States and around the world.

Everything we do at Brookings starts with the proposition that good governance is based on good ideas, respect for facts, rigorous thinking, and civil discourse.

All those values undergird our commitment to nonpartisanship, which we seek to uphold in what we do and in how we do it. We are always on the lookout for ways to support nonpartisanship—or, in the form it sometimes takes on Capitol Hill, bipartisanship. With that goal in mind, we entered this year into a partnership with the Center Aisle Caucus, a newly formed effort in the House of Representatives dedicated to encouraging discussion of national issues across party lines. It was in a similar spirit that our Budgeting for National Priorities initiative—led by Senior Fellow Isabel Sawhill—tackled the problems posed by the U.S. deficit, and that our scholars testified before Congress more than 40 times. Meanwhile, joint programs with the Chautauqua Institution and Princeton University's Woodrow Wilson School have allowed us to broaden the scope of our work and the constituencies we are reaching.

Brookings prides itself as offering a forum to leaders and commentators from across the political spectrum. Senators including Hillary Clinton, Chuck Hagel and Richard Lugar spoke at Brookings during a pivotal election year. Senator Barack Obama spoke at the launches of both the Brookings-AEI Election Reform Project and the Hamilton Project, an economic policy initiative aimed at advancing strategies to restore the nation's promise of opportunity, prosperity, and growth. Members of both parties in both houses of Congress also sought the advice of Brookings scholars on Iraq, Lebanon, Russia and North Korea.

This year more than ever before we've internationalized our agenda and our outreach. We provided a platform to Rodrigo de Rato, managing director of the International Monetary Fund, to give an important address on globalization, trade, economic growth, and the need for reform of multilateral institutions. He spoke under the auspices of our newest research program, Global Economy and Development, which is the institutional home for another exciting new venture, the Wolfensohn Center for Development, created through the generosity of our trustee James Wolfensohn.

We also held the inaugural meeting of our International Advisory Council, which brings together leaders from around the world who will help us chart our course in becoming a truly global research institution. And—thanks to John Thornton—we formally launched a new China Center dedicated to understanding the impact of that emerging power.

Varied and growing as this agenda is, every project we undertake has a common denominator: the best possible scholars working on the most important challenges facing our nation and the world. There is no better example than Bruce Katz, vice president and director of our Metropolitan Policy Program, which is working on the reinvention of local governance around the nation and the world. Bruce was this year's recipient of the prestigious Heinz Award for Public Policy.

All this would not be possible without the support of our many friends. To all of you, thanks—and, since we're always looking over the horizon at Brookings, here's to a productive decade that will take us to our Centennial.



William G. Gale, vice president and director of Economic Studies, assumes the helm of the program from Isabel V. Sawhill, who will continue as co-director of both the Center on Children and Families and of the Budgeting for National Priorities Project.

Economic Studies

Founder Robert S. Brookings and his wife, Isabel, financed the Institute of Economics in 1922 as a private institution dedicated to economic research. Decades later, economics remains the keystone of Brookings scholarship, and scholars in the Economic Studies Program produce a steady analysis of the production, distribution, and consumption of resources at home and abroad.

The 2006 highlights included the launch of the Hamilton Project (see Hamilton, page 9). Brookings economists also continued a long tradition of significant contributions to research and policy debates by focusing on new issues, such as the challenges created by Hurricane Katrina, as well as perennial and growing concerns related to health care, tax and fiscal policy, retirement security, persistent poverty, and opportunities for children. Hugh B. Price, former president and chief executive officer of the National Urban League, joined Brookings as a senior fellow. Economic Studies scholars published more than a dozen new books with the Brookings Institution Press, as well as numerous articles, research presentations, op-eds, and testimony.

The leadership of Economic Studies passed from Isabel V. Sawhill, who has directed the program since 2003 and remains deeply involved as a senior fellow, to William G. Gale, who became vice president and director in September.

“Under Belle’s leadership, we have had great success in exploring the next generation of economic policies and informing the public of the investments in people and institutions needed to enhance individual opportunities and grow the economy,” Gale said.

“We will continue to play a leadership role in drawing public attention to the critical economic issues facing the nation,” said Gale, a Brookings fellow since 1992.

Promoting Fiscal Responsibility and Financial Security

The Hamilton Project, directed by Senior Fellow Peter Orszag, aims to generate innovative, cutting-edge, and evidence-based policy ideas to promote economic growth and ensure that American workers and firms remain competitive in the new global economy. The initiative is founded on a belief that economic growth that leaves most Americans behind is ultimately unsustainable and that, in many areas, our current policies are

Innovations In Education, Justice

A year ago, the Brookings Institution proudly welcomed Hugh Price as a senior fellow in Economic Studies. A former president and CEO of the National Urban League, Price has made a career of bringing real, everyday issues to the spotlight. At Brookings, he will use his experience as an innovator in education programs to focus on issues involving equal opportunity, education, criminal justice, and civil rights. Price is affiliated with the new Center on Children and Families, a fitting home for his well-known work on the intersection of education and community achievement.

"Hugh brings to Brookings a record of stellar leadership," said former Economic Studies director Isabel Sawhill, who recruited Price to join

Brookings. "His experiences in journalism, the foundation world, and nonprofit organizations will greatly inform our work here."

Price, whose projects at Brookings will include studying whether there are lessons to be learned from the military for educating young people who have dropped out of or disengaged from school, believes we must look both inside and outside the proverbial box for promising approaches to tough domestic problems.

At the Urban League, he defined a new mission and strategic vision, tripled the organization's endowment, and launched the League's historic Campaign for African-American Achievement. In addition, he established a research and policy center, the National Urban League Institute for Opportunity

and Equality; revived *Opportunity*, the League's landmark magazine; and opened the League's new headquarters on Wall Street in New York City.

"I've been keenly interested and deeply involved in public policy throughout my professional career," Price explained. "For the last forty years I have dedicated my life to advancing the causes of equal opportunity, civil rights, social justice, and public education.

"The opportunity to become a senior fellow here was compelling because, with its eminent scholars and sterling reputation, Brookings is the gold standard among think tanks. I am thrilled with the opportunity to work at Brookings."

Before joining the League, Price was vice president of the Rockefeller Foundation, from 1988 to



Hugh Price examines education and opportunity at a September briefing.

1994, where he focused on improving domestic investments in education for at-risk youth and increasing opportunities for people of color. He also served for six years as senior vice president of WNET/Thirteen in New York, the nation's largest public television station. Drawing on his journalistic experience as a past board member at *The New York Times*, he is also the author of two books, *Achievement Matters: Getting Your Child the Best Education Possible* and *Destination: The American Dream*. ■

not equal to the challenges we face.

Brookings's Budgeting for National Priorities Project continued to draw public attention to the critical problems this nation faces in adopting a responsible fiscal policy. Gale and Orszag's recent work on fiscal policy shows how official budget figures are misleadingly optimistic and how adjustments to those figures demonstrate a continuing medium-term fiscal concern that blossoms into a major crisis in the next few decades.

Senior Fellow Alice Rivlin is co-editing the third volume in the *Restoring Fiscal Sanity* series. While the first two volumes focused on the 10-year budget outlook and the long-term fiscal problems, respectively, the third volume focuses on a major component of the long-term deficit, namely federal health care spending. The volume, due in early 2007, will focus

on potential reforms in Medicare, Medicaid, and other federal health programs.

The Fiscal Wakeup Tour hosted events across the country to publicize the risks posed by growing long-term U.S. budget problems. Joining Sawhill as speakers on this tour were experts from the Concord Coalition, the Government Accountability Office, The Heritage Foundation, and the Committee for Economic Development.

The Tax Policy Center, a joint project of the Urban Institute and Brookings, provided timely, accessible analysis and facts about ongoing policy debates, including the estate tax, the alternative minimum tax, the national sales tax, and the taxation of health care. Brookings guest scholar Bill Frenzel, a former member of Congress, served on the President's Advisory Panel on Federal Tax Reform and in a

Brookings program explained the reasoning behind the group's far-reaching recommendations. Many of the advisory panel's recommendations reflected proposals put forth by Brookings scholars in the past—providing another illustration of the nonpartisan nature of work at Brookings.

A Wealth of Social Policy: Children, Health, and Aging

The year-old Center on Children and Families—co-directed by Sawhill and Senior Fellow Ron Haskins—worked with a group of experts from around the country to identify specific cost-effective policies to reduce child poverty. Haskins published the first book associated with the center, *Work over Welfare: The Inside Story of the 1996 Welfare Reform Law*, on the 10th anniversary of this landmark change to social policy. Haskins also wrote op-eds and testified

before Congress on the impact of the reform bill.

New scholar Price is engaged in a variety of projects related to improving opportunities and outcomes for disadvantaged youth, including the role of the community in the intellectual and emotional development of African-American children (see *Innovations*, left box).

Economic Studies also ramped up work on health care. Senior Fellow Henry Aaron published a book supporting the claim that health care rationing may be an unavoidable outcome, as the country grapples with rising health costs. Aaron also applied the U.S. experience to health care cost inflation in Japan and China. Gregg Bloche, at Brookings on a Guggenheim Fellowship, examined legal and ethical aspects of setting limits on medical care and health promotion. Mark Duggan, a University of Maryland professor and one of the top health economists in the country, joined Brookings as a visiting fellow and worked on Medicaid, drug prices, and other issues.

Joshua Epstein, a senior fellow in the Center for Social and Economic Dynamics, used computational modeling techniques to study such topics as flu epidemics. Epstein directed the development of a global epidemic model for the National Institutes of Health, and received further funding from the World Bank and the Department of Homeland Security. The main implication of the research thus far is that international travel restrictions—if triggered by early detection—can substantially delay global transmission, affording time to implement direct containment measures, such as vaccination and quarantine.

Orszag continued to direct the Retirement Security Project (RSP),

which advances practical policies promoting retirement saving by middle- and low-income Americans through rigorous research, outreach, and policy analysis. RSP's automatic 401(k) proposals were included in the pension bill signed this summer promising millions of U.S. families a better way to save for retirement. Former Housing and Urban Development Secretary Jack Kemp and former Sen. John Edwards of North Carolina, launched a campaign in conjunction with RSP to promote adoption of the automatic 401(k) by major American corporations.

Senior Fellow Gary T. Burtless worked on a multi-year study of the U.S. unemployment insurance system and has completed a

paper for the U.S. Department of Labor suggesting policy reforms that would require longer waiting periods for benefits after workers become unemployed, combined with longer eligibility periods after benefits begin. This paper also proposes "unemployment savings accounts" for each active worker that might replace current unemployment benefits.

Lois Rice, Brookings guest scholar, completed the first phase of a longer-term study on the financing of higher education being carried out jointly with the Urban Institute. Senior Fellow William T. Dickens focused his work on the nature and changes in cognitive ability among black and white children, showing that over

the last 30 years, U.S. blacks have narrowed the gap in cognitive ability with whites.

Regulatory Policy

At the AEI-Brookings Joint Center on Regulatory Studies, co-director Robert E. Litan published several papers addressing regulatory reform in financial services and ways to increase competitiveness in the real estate brokerage market. Litan, a senior fellow, and Ben Klemens, a guest scholar, figured prominently in the emerging debate over net neutrality and ways to improve competition in broad-band services. In the wake of Hurricane Katrina, Litan offered recommendations to reform the nation's patchwork of public and

private insurance programs.

The International Economy

Scholars in Economic Studies remained involved in international economic issues and cross-national studies in a variety of fields. Senior scholars Barry Bosworth and Susan Collins worked with the Center for the New Economy of Puerto Rico to organize a research project on developing a growth initiative for the economy, financed by various groups in Puerto Rico. *The Economy of Puerto Rico* was published by the Brookings Press in June 2006. The scholars hosted events to publicize the research findings and discuss the policy recommendations in Washington and San Juan. ■

Hamilton: The Spirit of Opportunity and Growth

During the turbulent years surrounding the birth of our nation, Treasury Secretary Alexander Hamilton was a fervent proponent of equal opportunity and economic growth. As noted in the acclaimed biography of Hamilton by Ron Chernow, "Hamilton wanted to foster the rudiments of a modern economy—trade, commerce, banks, stock exchanges, factories, and corporations—to enlarge economic opportunity. Hamilton dreamed of a meritocracy, not an aristocracy."

It was in the spirit of Alexander Hamilton, truly valuing opportunity and upward mobility, that the Hamilton Project was launched at the Brookings Institution in April.

Founded with the intellectual and financial support of former Treasury Secretary Robert Rubin, former Deputy Treasury Secretary Roger Altman, Brookings trustees Glenn Hutchins and Steven Rattner, and other generous supporters, the Hamilton Project seeks to advance

an economic strategy to restore America's promise of opportunity, prosperity, and growth.

"We aim to bring new ideas, based on evidence and experience, not ideology and doctrine, into the national economic debate," said Peter Orszag, project director and Brookings senior fellow.

At its April launch, the project released an agenda-setting white paper calling on the nation to address the country's large fiscal imbalances and inadequate investment in key growth-enhancing areas.

Brookings Institution President Strobe Talbott said, "As we celebrate the 90th anniversary of Brookings, we are pleased to be launching this new and exciting initiative featuring the ideas and proposals of some first-rate economic thinkers. I confidently predict that some of the proposals that are going to be produced under the aegis of the Hamilton Project are going to surprise people



Senior Fellow Peter Orszag (left) and former Treasury Secretary Robert Rubin introduce innovations in economic policy at the April launch of one of Brookings's newest projects.

across the political spectrum."

Since April, the Hamilton Project released a series of discussion papers focusing on four critical investment areas: education and work; innovation and infrastructure; savings and insurance; and effective government.

The project aims to bring new voices into the policy debate—and is not afraid of tackling controversial issues. One of its first proposals addressed the issue of how teachers are hired and evaluated. Another

idea, proposed by Brookings Senior Fellow Jeffrey Kling, would move the unemployment insurance system toward focusing resources on workers re-employed at lower wages than in their previous jobs.

The Hamilton Project is committed to continuing its rigorous economic policy thinking and putting forth policy options that spark real debate. As Sen. Barack Obama of Illinois said at the launch, the Hamilton Project is a "breath of fresh air that I think this town needs." ■



Pietro S. Nivola (center), vice president and director of Governance Studies, with Brookings Trustee William T. Coleman (left) and Hugh B. Price at the launch of the Brookings-AEI Election Reform Project.

Governance Studies

Philanthropist Robert S. Brookings laid the groundwork for what would become the Brookings Institution with an organization dedicated to bringing the U.S. government's administrative functions into line with modern business methods. His own work within the government during World War I had shown him the need for an independent research institution devoted to solving problems of government and the economy. Today, the Governance Studies Program continues on its traditional mission—the study of political institutions in the United States and other democratic societies.

This year, the program advanced on several research fronts, ranging from a study of the causes, consequences, and correction of polarized politics in the United States, in collaboration with the Hoover Institution at Stanford University, to collaborations with the American Enterprise Institute for Public Policy Research (AEI) on U.S. electoral administration and reform and competition.

“Governance Studies continues to do everything it can to raise the public profile of its scholarship, and where appropriate, apply its research findings and scholarly insights to pertinent political issues of the day and to solving the real—not the imaginary—problems of governance,” said vice president and director Pietro S. Nivola.

Every scholar devoted substantial time to taking media calls, and contributed to Brookings's steady output of timely publications, such as op-ed pieces, Web-based articles, and white papers. Governance Studies began expanding its electronic outlets, with an Issues in Governance Studies brief series.

Such work often received attention in the right places. For example, after Nivola's publication of a policy brief on federalism, he received accolades from the National Conference of State Legislatures. Senior Fellow Emeritus Stephen Hess conducted a widely publicized panel discussion in February after the release of his book *Through Their Eyes: Foreign Correspondents in the United States* (Brookings, 2005). This year's prestigious Hubert A. Humphrey Award was given to Senior Fellow William A. Galston for his outstanding public service, deep involvement in vital questions of public affairs, and the quality and breadth of his scholarship in political science.

Governance Studies scholars interacted directly with policy-makers, in the United States and abroad. Senior Fellow Thomas E. Mann, who has

RALPH ALSWANG



Sen. Barack Obama (center) of Illinois examines election reform with project co-directors Thomas Mann (left) and Norm Ornstein.

RALPH ALSWANG

Reforming American Elections

The extraordinarily lengthy and controversial resolution of the 2000 U.S. presidential election revealed that our electoral system is in serious need of reform. Stories of hanging chads, overwhelming lines, and uncounted votes plagued the voting public. Congress, responding to this problem, passed the Help America Vote Act (HAVA) in 2002. The act provided funding to states to replace punch card voting systems, created the Election Assistance Commission, and established minimum election standards.

In January 2006, Brookings joined the American Enterprise Institute for Public Policy Research (AEI) in launching the Election Reform Project. The new project will monitor the implementation of HAVA and encourage constructive changes in the legislation throughout the process. By integrating election-related research, the project strengthens the link between the research and policy communities. Supported by the John S. and James L. Knight Foundation, the Election Reform Project is headed by Brookings Senior Fellow Thomas Mann and AEI resident scholar Norman Ornstein.

"The resolution of the 2000 presidential election provided millions of Americans with a national civics lesson," Mann said. "What Americans had taken for granted—that those who have a right to vote are able to do so, and have their votes counted accu-

rately—was seriously thrown into question."

The Election Reform Project started tracking action on amendments to the legislation considered by Congress, and making election-related research widely available to policy-makers at the local, state, and federal levels. The project's website, www.electionreformproject.org, includes information on voter registration, technology, access, early and absentee voting, provisional balloting, election administration, and voting integrity issues.

Sen. Barack Obama of Illinois helped inaugurate the AEI-Brookings Election Reform Project by delivering the keynote address in February 2006.

"With the resources and the technology we have available today, there's no imaginable reason why any American should have problems casting a ballot," Obama said. "Unfortunately, as we have seen in the last two elections, this is still not the case."

Strobe Talbott, Brookings president, noted that as "Brookings celebrates its 90th anniversary, we've rededicated ourselves to making sure that what we do and how we do it is an antidote to destructive polarization. I'm particularly pleased that we can partner with AEI this year to help ensure that future elections are administered consistently with the very highest standards Americans expect of their democracy." ■

given congressional testimony several times, testified before the U.S. House Rules Committee at a hearing on lobbying reform in March 2006.

In fiscal 2006, the program reached new levels of collaboration as scholars advanced their studies of government. In addition to working with Hoover and AEI, Brookings studied electoral competition with the Cato Institute.

Focused Research on Polarized Politics

Brookings and the Hoover Institution assembled scholars and journalists to assess the phenomenon of political polarization. Brookings convened three major election-season discussions on the causes, scope, and significance of the widening gulf between "red states" and "blue states."

The Brookings-Hoover investigation of America's polarized politics began with a March 2006 conference that examined the national divide, which raises concerns for a democratic and accountable government, harms the quality of deliberation in Congress, and threatens the independence of other institutions, from the courts to the media.

Participants presented six research papers, including one by Nivola and William Galston that outlined the problem of a politically divided country. Senior Fellow E.J. Dionne, Jr., wrote an essay on the role of religion, and Mann also represented Brookings with a paper on gerrymandering.

Nivola and David W. Brady, deputy director and senior fellow at the Hoover Institution, are co-directors of the project—which is generously supported by the John D. and Catherine T. MacArthur Foundation and the Rockefeller Brothers Fund.

Other program scholarship

looked at party politics. For example, Peter Beinart, editor-at-large at *The New Republic*, arrived at Brookings as a visiting fellow for the year to complete a book on how party politics have affected U.S. foreign policy. Beinart managed a guest-star turn on Comedy Central's *Colbert Report*, where he discussed his book, *The Good Fight: Why Liberals—and Only Liberals—Can Win the War on Terror and Make America Great Again*, which examines the "liberal" and "conservative" approaches to fighting terrorism.

Bridging the Congressional Divide

Brookings also rededicated itself to the common goal of reducing political polarization with the help of the Center Aisle Caucus, a bipartisan group made up of Democrats and Republicans from the House of Representatives.

Under the leadership of Reps. Steve Israel of New York and Timothy V. Johnson of Illinois and Brookings President Strobe Talbott, the Center Aisle Caucus and Brookings agreed to host a series of policy discussions to promote a more respectful and civil climate for conducting the nation's business.

Members of Congress heard from Mann, an expert on politics and governance, and Senior Fellow Sarah A. Binder, who studies congressional rules and reforms.

Judgment Days

Brookings held a number of Judicial Issues Forums, under the stewardship of Nonresident Senior Fellow Stuart Taylor, Jr., who led panels of experts addressing major legal and judicial debates of the day.

The series covered a wide range of pertinent topics, and drew on the expertise of scholars such as Galston and Binder, as well as Russell Wheeler, guest



U.S. News & World Report Senior Writer Michael Barone, Jr. (right) considers the intersection between religion and politics with Brookings fellows William A. Galston (left) and E.J. Dionne, Jr.

SHARON FARMER

scholar. Galston helped examine the highly ambiguous state of constitutional law in presidential war powers, while Binder set the historical stage for a panel discussion on contentious confirmation of Supreme Court justices. Nearly all of the sessions were broadcast live on C-SPAN, and drew extensive audiences and commentary. Topics this year included the future of the death penalty, discussed at an event in September, and the rise in ideological voting on the federal bench, a panel that included Wheeler and Cass Sunstein, nonresident senior fellow and co-author of *Are Judges Political?*

Binder, who is completing a Brookings book on the politics of judicial appointments, published one of its chapters in the journal *Legislative Studies Quarterly* and received the Jewell-Loewenberg Award for best article.

Helping America Vote

Mann's ongoing work included electoral campaigning and financing, and congressional redistricting. Mann led an event on "The Future of Campaign Finance" and an event on redistricting reform after the Ohio and California ini-

tiatives. In February, Mann inaugurated the Brookings-AEI Election Reform Project before a capacity crowd that came to hear Sen. Barack Obama of Illinois give the keynote speech (see Reforming American Elections, page 12).

Mann edited *The New Campaign Finance Sourcebook* with Nonresident Senior Fellow Anthony Corrado and others (Brookings, 2005). With AEI scholar Norm Ornstein, Mann also published *The Broken Branch: How Congress is Failing America and How to Get It Back on Track* (Oxford University Press, 2006). The book discusses some sources of today's polarization in Congress.

At the Cato Institute in March, Michael McDonald, a visiting fellow and a professor of political science at George Mason University, teamed up with Cato scholar John Samples in a comprehensive one-day conference on the problems of electoral competition. Working with some of the country's best political scientists, McDonald and Samples are studying why some kinds of U.S. elections have routinely ceased to be competitive contests and what, if anything, can be done about the

situation. McDonald and Samples have co-edited *The Marketplace of Democracy: Electoral Competition and American Politics*, published in September 2006.

Governance Studies contributed to the mounting worldwide interest in questions of federalism. Nivola presented "Making Sense of Subsidiarity" at the American Political Science Association's annual meeting in September 2005. The paper received the Association's Deil Wright Award for the year's best paper in the field. Nivola continued his examination of better ways of dividing the respective responsibilities of the central and local governments across a broad range of policy areas, from health care and education to transportation and homeland security. Nivola participated in a Brookings event on Hurricane Katrina, discussing the respective responsibilities of the state, local, and federal governments.

The Politics of Public Education

Because schools are public bureaucracies, they, too, are by definition political institutions—and as such, the analysis of them, through the auspices of the Brookings Brown

Center on Education Policy, is part of the Governance Studies agenda. The landmark No Child Left Behind Act (NCLB), up for revision in 2007, is likely to seek the conversion of low-performing public schools to charters. The Brown Center, under the direction of Senior Fellow Tom Loveless, began exploring this proposed remedy, and others.

Martin West, a Brookings research fellow, wrote "No Child Left Behind: How to Give It a Passing Grade," which shed new light on why some state governments and groups in society are resisting the NCLB experiment, while others support it. At a conference at the University of Wisconsin, Madison, in February 2006, Loveless delivered a paper, "The Peculiar Politics of No Child Left Behind."

The Brown Center held a conference in September 2005 on the state of mathematics instruction, and another in January 2006 upon release of Loveless's co-edited book, *Getting Choice Right* (Brookings, 2005). Loveless also held a forum on Mayor Bloomberg's education reforms for New York City and co-sponsored an international research conference on the state of mathematics education around the world with support from the National Science Foundation and the National Center for Education Statistics (NCES). The Brown Center, which helped improve the National Assessment of Education Progress's (NAEP) math testing standards, hosted an international math conference in the fall. Loveless was selected to join 17 expert panelists on the National Mathematics Advisory Panel to advise President Bush and Education Secretary Margaret Spellings on the best use of scientifically based research to advance the teaching and learning of mathematics. ■

Foreign Policy Studies

T

he Brookings Institution was founded in 1916, a period of global conflict that shaped the modern world. Today, the world again faces a transition of global proportions. In 2006, under the leadership of vice president and director Carlos Pascual, the Foreign Policy Studies Program was at the forefront of analysis of major foreign policy challenges.

“America’s conduct of foreign policy demands that we address new threats and opportunities in a world that is more interdependent, where technology has eclipsed traditional understandings of borders and security,” said Pascual, former U.S. ambassador to Ukraine and former director of the U.S. State Department’s Office of Reconstruction and Stabilization.

The Foreign Policy Studies Program has two core goals: understanding the dynamics of world affairs and the challenges they pose to the international community; and influencing policies and institutions across the globe that promote sustainable peace, security, and prosperity. In 2006, Foreign Policy scholars continued to serve as a key resource for the executive branch, Congress, foreign governments, the media, and the public. Scholars shared their expertise in congressional testimony, press briefings, panel discussions, media interviews, opinion articles, books, papers, and reports.

Crisis and Diplomacy in the Middle East

Middle East strife escalated substantially as Israel confronted Hezbollah in Lebanon. Adding to the region’s instability were Iran’s pursuit of nuclear arms, continued fighting in Iraq, the Hamas victory in January in Palestinian elections, and further attempts at Israeli disengagement from the West Bank.

Amid these crises, the Saban Center for Middle East Policy provided expert analysis under the guidance of Martin Indyk, former U.S. ambassador to Israel and former Assistant Secretary of State for Near East Affairs. The Saban Center boasts top analysts Kenneth Pollack, Peter W. Singer, and Tamara Wittes. Pascual and Senior Fellows Ivo Daalder, Michael O’Hanlon, Philip Gordon, and Susan Rice joined in cutting-edge analyses and recommendations to reverse the spiral of insecurity in the Middle East.

In a series of Brookings lectures, Indyk proposed a strategy for restarting Middle East diplomacy and creating a viable Lebanese state



Carlos Pascual, vice president and director of Foreign Policy Studies, and Sen. Richard Lugar of Indiana prepare to give remarks at the Brookings 90th Anniversary Leadership Forum on Energy Security.

committed to peace. Senior Fellows O'Hanlon and Gordon, appearing in several Brookings forums, questioned the efficacy of Israel's bombing campaign in Lebanon and offered alternatives. In a July briefing, Pascual and scholars Pollack, Gordon, and Jeffrey A. Bader examined constraints and capabilities to manage the nuclear issue with Iran. Pascual and Indyk testified before Congress, respectively addressing reconstruction in Lebanon and Iran's nuclear ambitions.

Brookings focused attention on strengthening understanding and engagement between Muslims and non-Muslims at the 2006 U.S.-Islamic World Forum, which brought together more than 180 world leaders from 38 countries to discuss issues ranging from the war in Iraq to the Danish cartoon controversy. Held in February in Doha, Qatar, under Singer's leadership, the event defined policy agendas and programs to improve relations between the United States and the Islamic world on issues such as security, political transition, and development.

Events and policy forums were underpinned by outstanding scholarship. Wittes wrote *How Israelis and Palestinians Negotiate: A Cross-Cultural Analysis of the Oslo Peace Process*, which won "The Best of the Best University Presses: Books You Should Know About" award from the Association of American University Presses. Daalder and Gordon edited *Crescent of Crisis: U.S.-European Strategy for the Greater Middle East*, and Jonathan Laurence and Justine Vaisse, Brookings visiting fellows who co-wrote *Integrating Islam: Political and Religious Challenges in Contemporary France*.

Iraq and Its Aftermath

Brookings remained on the frontlines of the reconstruction of Iraq.

In *A Switch in Time: A New Strategy for America in Iraq*, published in February, Pollack offered alternative strategies to U.S. policy on security, political consolidation, management of oil revenues, and economic reconstruction.

O'Hanlon, the holder of the Sydney Stein, Jr., Chair in International Security, is one of Brookings's most sought-after commentators on national security. In 2006 he continued to spearhead the Iraq Index, a nonpartisan, comprehensive assessment that is consulted widely by journalists, scholars, and other experts, and appears regularly in *The New York Times*.

Daalder led a project addressing the controversy stirred by the pre-emptive use of force in Iraq. The Force and Legitimacy in the Evolving International System project conducted workshops worldwide on the use of force in response to terrorist threats or the proliferation of weapons of mass destruction, in humanitarian emergencies, or to support democracy.

Homeland Security, Terrorism, and Insecurity

As the nation commemorated the fifth anniversary of the 9/11 terrorist attacks, Brookings led research and discussion on the politically charged issue of homeland security. In June, Brookings hosted a keynote address by Secretary of Homeland Security Michael Chertoff. In *Protecting the Homeland 2006/2007*, Brookings scholars reviewed the state of homeland security and presented recommendations for reforming intelligence, fostering international cooperation, and increasing infrastructure and border protection.

Scholars continued to analyze the roots of terrorism, state capacity to manage it, and the changing nature of conflict within states. Rice examined the relationship



Saban Center director Martin Indyk (left) hosts a September 2006 talk with Iraqi Deputy Prime Minister Barham Salih.

between security and development, particularly the manner in which poverty erodes a nation's capacity and creates incubators of transnational threats. Singer received distinguished honors from the Robert F. Kennedy Memorial for *Children at War*, which explores child soldiers and how this phenomenon threatens the social fabric of countries subjected to it.

China's Emergence

China, transformed into a major economic power in the past 20 years, continued an ascension that will present one of the world's most complex and vital foreign policy challenges for years to come. Through the support of Board Chairman John L. Thornton, Brookings expanded its China Initiative into the John L. Thornton China Center, which will be led by Bader (see China Center, page 17).

In April 2006, China's President Hu Jintao met with President Bush at the White House. Their talks focused on security issues such as Korea, Iran, and Taiwan; energy; intellectual property rights; human rights; currency; and the growing U.S.-China trade deficit. On the eve of that visit, the Brookings Institution and Phoenix Satellite Television held the Brookings-Phoenix Forum on U.S.-China Relations that was broadcast throughout mainland

China and the world to an audience of tens of millions.

In July 2005, Brookings convened a private meeting in Beijing of senior experts from China, Japan, and the United States to address the deepening chill in Sino-Japanese relations. These trilateral dialogues—the second was held in Tokyo in May 2006—helped lay the groundwork for a limited but discernible warming trend, and will continue in 2007.

Addressing Challenges in Northeast Asia

North Korea's continued nuclear ambitions, the cross-strait relations between China and Taiwan, and growing tensions between Japan and China and South Korea have reverberated around the world. Foreign Policy Studies analyzed these critical issues through the Center for Northeast Asian Policy Studies (CNAPS), led by Richard Bush, who holds the Michael H. Armacost Chair in Foreign Policy Studies. CNAPS welcomed six accomplished visiting fellows from China, Hong Kong, Japan, South Korea, Russia, and Taiwan who published independent works. Brookings and the Sejong Institute, an independent Korean think tank, co-hosted the inaugural session of the Seoul-Washington Forum in May. The forum, which featured U.S. Ambassador Christopher Hill, stimulated intensive

discussion of the U.S.-Republic of Korea alliance.

Repairing Transatlantic Relations

Celebrating its third year, the Brookings Center on the United States and Europe continued to offer a forum for research, high-level dialogue, and public debate on how the United States and Europe address global insecurity.

The center—led by Gordon from its 2004 inception until this year—produced an array of books, monographs, and articles as well as Web-based U.S.-Europe Analysis Series. Gordon and deputy director Jeremy Shapiro convened more than 20 policy roundtables, which featured senior policy-makers such as Ambassador R. Nicholas Burns, under secretary of state for political affairs; and Javier Solana, European Union high representative for the common foreign and security policy. In November 2005 and April 2006, the center organized the semi-annual DaimlerChrysler Forum, which brings together top-level officials, former officials, and analysts from the United States and Europe for in-depth discussions of major issues in transatlantic relations.

Russia and Its Neighbors

Brookings also turned its attention to Russia. Leaders of the world's eight global powers gathered in St. Petersburg for the first G8 summit hosted by Russia, which came as international concerns arose over Russia's policies on energy and civil liberties.

Senior Fellow Clifford Gaddy continued to focus on Russia's economic and political development. Gaddy's recent work on the political economy of oil and gas in Russia has attracted the attention of policy circles in Russia and the West. Senior Fellow Fiona Hill

published, advised policy-makers, and made presentations on the regional role of "energy superpower" Russia, its role in Europe, and its relations with its neighbors and the United States.

Engaging India and Pakistan

In early March, President Bush traveled to India and Pakistan, both part of a region characterized by crisis and by promise. Senior Fellow Stephen Cohen led an expert panel that examined issues that Bush would face when he met with Indian Prime Minister Manmohan Singh and Pakistani President and Army Chief Pervez Musharraf.

U.S. and India relations were bolstered in the spring of 2006 by an agreement for the United States to sell civilian nuclear technology to India. Before and after the deal was made, Cohen testified before the U.S. Senate and House. He worked with other India experts, including Brookings President Strobe Talbott, who in the late 1990s represented the United States in nonproliferation negotiations with India and Pakistan.

The Situation in Darfur

Roberta Cohen, co-director of the Brookings-Bern Project on Internal Displacement, focused attention on the Darfur region of western Sudan. Former U.S. Deputy Secretary of State Robert B. Zoellick, in a Brookings address, examined the spread of the Darfur disaster into neighboring Chad and current policy options for the region. Senior Fellow Cohen, along with William G. O'Neill, an international human rights lawyer who trained United Nations officers in Darfur, wrote a report, "Protecting Two Million Internally Displaced: The Successes and Shortcomings of the African Union in Darfur." ■

China Center Emerges

In 2006, Brookings launched the John L. Thornton China Center, creating a focus for well-researched and creative thinking on U.S. policy toward and understanding of China. Thanks to a generous gift from Board Chairman John L. Thornton, the center expands the work of the China Initiative, begun in 2004 with an earlier gift from Thornton. His new commitment—\$12.5 million over five years to underpin the work of the center—is expected to provide a magnet for additional resources from other donors.

Thornton, chairman since 2003, was firmly convinced that policy-makers needed to understand the implications of China's emergence as a world power.

"What happens in China—now and especially in the future—is of enormous significance to the United States and the rest of the world," said Thornton. "We need to understand what is happening there, and in response, we need to make intelligent decisions to help assure that the 21st century is one of peace and prosperity for America."

A former president and co-chief operating officer of The Goldman Sachs Group, Inc., Thornton chaired Goldman Sachs-Asia

in the late 1990s and has since taught John L. Thornton government leaders at Tsinghua University in Beijing.

Senior Fellow Jeffrey Bader, former Deputy Assistant Secretary of State for East Asia and Pacific Affairs, became the center's first director. The center launched with a commitment to being the "go-to" place for research and policy recommendations to help U.S. and Chinese leaders address long-term challenges, such



Brookings chairman John L. Thornton converses with Zhou Wenzhong, the Chinese Ambassador to the United States.

as energy security, political and economic reform, and China's regional and global security interests.

Bader's team of scholars will include Wing Thye Woo, an economist specializing in U.S.-China economic relations and implications for the world of China's economic growth; Jing Huang, who focuses on Chinese politics and security affairs; Erica Downs, who is examining China's energy needs and linkages to politics and security, and Cheng Li, an expert on Chinese

leadership, political reform, and China's telecom industry.

"Based on his unique experience in China, John Thornton has a keen understanding of that country's role in the world," said Strobe Talbott, president of Brookings. "And based on his experience in the governance of American public-policy and educational institutions, John also sees the role that Brookings can play in providing sound analysis and recommendations

for policy-makers in China and the United States."

One of the first activities planned for the center is the planned opening of the Brookings-Tsinghua Center for Joint Research at Tsinghua University. This Beijing base will facilitate U.S. and Chinese scholars working independently and collaborating on research into the challenges facing China's development and U.S.-China relations. The project will disseminate research findings in Mandarin and English. ■

Global Economy and Development

As the Brookings Institution celebrated its 90th anniversary this year, globalization's most pressing issues took center stage—from energy security to trade and competitiveness to pandemic disease and poverty. It was fitting that the Institution marked its anniversary by launching the Global Economy and Development Program, the fifth major program in Brookings history. The new program will play a key role among global actors, with a robust research portfolio examining the rise of new powers, the factors driving the world economy, and the road out of poverty.

In its expansion from Brookings center to program, Global will work with other Brookings research programs to fulfill the Institution's commitment to building an international team that combines breadth and depth across the full spectrum of global policy issues to advance prosperity, security, and political sustainability worldwide.

"Our new program offers compelling recommendations, based on sound research and analysis, in order to materially shape the policy debate on both the opportunities and the challenges created by an increasingly globalized world," said Lael Brainard, vice president and director of the Global program. Brainard, former New Century Chair in International Trade and Economics, holds the Bernard L. Schwartz Chair in International Economics.

"We serve as the go-to source for policy-makers on how to harness the power and potential of globalization," said Brainard, a former deputy national economic adviser.

The Rise of New Powers

The rise of economic powers such as the "BRICs" (Brazil, Russia, India, and China) is integral to resolving the key challenges of the 21st century, from energy security to trade and financial imbalances to poverty. Global established research projects to address the rising powers' internal challenges, undertake comparative cross-country studies, and analyze broader implications for the world economy and global governance.

In 2006, the India Policy Forum focused on sources of economic growth, trade liberalization, labor-market institutions, poverty reduction, and telecommunications services in the world's second-largest country. The forum represents an ongoing collaboration between Brookings



Lael Brainard, vice president and director of the Global Economy and Development Program, discusses U.S. investments in science and technology with Norman Augustine, retired chairman and CEO of Lockheed Martin, at the Bernard L. Schwartz Forum on Competitiveness.

MATTHEW MENDELSON

scholars and Indian colleagues as they analyze trends in the Indian economy.

Global welcomed the arrival of Wing Thye Woo, an expert on China's economy and professor of economics at the University of California-Davis. In collaboration with the Brookings China Initiative, Global hosted several events to illuminate the economic challenges facing China's policy-makers in areas such as rule of law, intellectual property, and corporate governance. On the eve of President Hu Jintao's visit to Washington, Global, the Brookings Center for Northeast Asian Policy Studies, and the China Initiative hosted a discussion on the increasingly complicated economic relationship between the United States and China.

Under the leadership of Senior Fellow Erik Berglöf, Chief Economist of the European Bank for Reconstruction and Development, the Global Institute continues to expand and strengthen its strategic alliance of top-level think tanks in countries such as Russia, China, and India, nurturing young researchers and institutions and promoting important collaborative research and learning.

Scholars Colin Bradford and Johannes Linn continued their multi-year project examining the deficits in current multilateral governance structures. In their policy brief, "Pragmatic Reform of Global Governance: Creating an L20 Summit Forum," the pair argued that the G8 summit excludes the emerging powers of the 21st century and has become increasingly "ineffective, unrepresentative, and illegitimate." Media outlets covered their proposal to expand the group by bringing leading emerging economies such as Brazil, China, India, Mexico, and South Africa to the table.

The Drivers Shaping the Global Economy

As President Bush made U.S. competitiveness a centerpiece of his agenda, Global addressed America's role in a fast-moving global economy. Finding the right policy responses to ensure that the nation remains competitive and prosperous as new giants enter the global marketplace is a high priority for the program. In April, Brookings launched the Bernard L. Schwartz Forum Series on U.S. Competitiveness in the 21st Century. The discussion on U.S. education, innovation, and R&D strategies featured two keynote addresses given by Susan Hockfield, the president of Massachusetts Institute of Technology, and Bruce Mehlman, former Assistant Secretary of Commerce for Technology Policy under President Bush.

Schwartz believes firmly in "the strengths of the American society and its economy, its ability to transform science into the marketplace, the advantages of its free capital markets, its mobility of labor and capital, its intellectual property, its inventiveness, and its resilience." The forum series will address U.S. trends regarding investments in science and technology, the rise of China and India as emerging exporters, and the future of the U.S. manufacturing industry, and will bring together business executives and entrepreneurs, policy-makers, labor leaders, and academics.

The ongoing Brookings Trade Forum, coordinated by Senior Fellows Susan Collins and Carol Graham, examined the increasing interdependence of global labor markets and the implications of those trends for workers in both developed and developing economies, with a particular focus on migration.



Former Secretary of State Colin Powell addresses the June Leadership Forum of the Brookings Initiative on International Volunteering and Service.

RALPH ALSWANG

Global also continued to develop a multidisciplinary research agenda and policy dialogue on the geopolitical and economic ramifications of global energy security needs. Warwick J. McKibbin and Peter J. Wilcoxon, Brookings nonresident senior fellows, used their multi-sector, multi-country modeling capability to develop likely scenarios of the key risks to global energy supplies and their economic consequences (see McKibbin, page 21).

The Road Out of Poverty

To add depth to its policy work on development effectiveness and global poverty, Brookings formally launched the Wolfensohn Center for Development in July 2006. The new center, directed by Linn, was created with the support of James D. Wolfensohn, the former president of the World Bank and a Brookings trustee since 1983. The center will assess how development interventions can be successfully implemented, scaled up, and sustained to solve key development challenges at the national, regional, and global levels.

Global continued to investigate ways to galvanize private sector development in the war against global poverty. Led by visiting fellow Caroline Moser and in cooperation with the Ford Foundation, Global hosted a conference to discuss asset-based approaches to sustained poverty

reduction. Participants shared the results of recent cutting-edge practice that compared social protection strategies that secure the poor against risks with asset-based strategies that create positive opportunities for the poor to accumulate financial and human capital. In August, the Brookings Blum Roundtable examined the impact of extreme poverty with a diverse group of business, government, and academic leaders, who assembled to promote effective and concrete proposals to address these issues as borders matter less than ever.

Senior Fellow David de Ferranti, former vice president for Latin America of the World Bank, led the Transparency and Accountability Project, which builds the capacity for citizens in poor countries to hold their governments accountable through local think tanks focusing on budget transparency.

Recognizing that private philanthropy, donations from wealthy countries, and public-private partnerships are all funding promising health interventions, de Ferranti also led a series of panel discussions that focused on country-level health reform efforts. The series, which introduced Brookings's new global health initiative, also focused on reviewing and analyzing innovative financing proposals, such as the recent airline tax. Project participants included former President of Ireland Mary Robinson, who

directs the Aspen Institute's Ethical Globalization Initiative, and Dr. Peter Piot, Executive Director of UNAIDS.

With hard-power assets stretched thin and facing 21st century threats from global poverty, pandemics, and terrorism, the United States must deploy its soft power of diplomacy more effectively. To address this problem, a joint task force, convened by the Brookings Institution and the Center for Strategic and International Studies, brought together high-level participants from Congress, the Millennium Challenge Corporation, and influential non-governmental organizations that have consulted with key players for more than a year. Their work and recommendations, published in "Security by Other Means," charted the way toward greater effectiveness, cohesion, and accountability in foreign aid. The task force, led by Brainard, released comprehensive new recommendations designed to reorganize and reprioritize America's foreign aid programs.

The Brookings Initiative on International Volunteering and Service, spearheaded by visiting fellows Lex Rieffel and David Caprara, held its first large-scale working meeting, which brought together both corporate and governmental sponsors of overseas volunteering efforts. During the closing plenary session, former Secretary of State Colin Powell delivered remarks on international service and other "soft power" resources. From personal anecdotes to no-nonsense statistics, Secretary Powell provided a powerful endorsement for the Brookings effort to increase dramatically the number of Americans who volunteer overseas in an effort to use America's soft power more effectively. ■

McKibbin: Navigating Challenges to the Global Economy

Warwick J. McKibbin, a Brookings non-

resident senior fellow, literally lives and works on the other side of the earth from the Institution's Washington, D.C., headquarters. Yet his impact on global issues such as climate change and infectious disease is felt in the United States as well as in Australia.

McKibbin, an economist at Australia National University in the capital city of Canberra, visits "inside the Beltway" about three times a year when he travels to Brookings for stays of about two weeks, and he keeps in touch through the Internet on a daily basis. He serves on the Board of the Reserve Bank of Australia, a body roughly similar to the Federal Reserve Board in the United States. He is also a member of the Australian Prime Minister's Science Engineering and Innovation Council.

"I like the Australian lifestyle, and my family roots are there," he said, adding, "But nothing can beat being physically at Brookings and interacting with my colleagues."

McKibbin, working with Brookings colleague Peter J. Wilcoxon, has also been the leader of a collaboration between Brookings and the Observer Research Foundation, an India-based think tank. The Brookings-Observer Research Foundation team is developing a new computational tool to analyze that country's economic,



Warwick J. McKibbin discusses the potential impact of a flu pandemic.

RALPH ALSWANG

energy, and environment policies. The global general economic equilibrium growth model for India, known as "I-Cubed," is a simulation model that can provide future energy and environmental profiles. The model also can be used to assess a variety of policies such as changing fuel mixes and taxation, and imposing emissions constraints.

McKibbin's wider world view has led to unique solutions to the issue of climate change, where he has argued for market-driven solutions. McKibbin and Wilcoxon, a Brookings nonresident senior fellow and an associate professor at Syracuse University, estimate that the fast-growing economies of China and India already account for roughly 20 percent of the world's carbon emissions.

Therefore, they argue, it is critical to engage these two nations

and other developing countries in a plan to reduce greenhouse gas emissions that will also encourage economic growth.

"Australia is firmly in Asia, and the view of the world from here is quite different than the view from the United States and Europe," said McKibbin, affiliated with both the Global Economy and Development and Economic Studies Programs.

While there is a debate over how much of global warming is due to human activity, "there is enough respected scientific opinion that carbon emissions might be creating a major problem that we need to develop a policy regime that changes the future profile of emissions," he said. Such a policy regime, he argues, should be flexible so that it can be changed as more information becomes available, and

should take into account costs as well as benefits.

McKibbin also pulls no punches on his research on the macroeconomics of infectious diseases. He has concluded that a relatively mild influenza outbreak, similar to Hong Kong flu in 1968, might cause the deaths of 1.4 million people worldwide and economic losses of \$330 billion from reduced productivity. A more severe flu outbreak, such as the 1918 pandemic, could kill 144 million people around the globe and reduce worldwide economic output by \$4.4 trillion.

"The scale of these numbers suggests that investment in preventing another influenza outbreak might be very well spent," said McKibbin, "especially investments in public health systems in developing countries, since that is where another human pandemic is most likely to occur." ■



The Brookings Institution

1916–2006

When Robert S. Brookings came to Washington to help President Woodrow Wilson in the World War I effort, he led a group of government reformers in creating the first private organization devoted to the fact-based study of national public policy issues. The new Institute for Government Research became the chief advocate for effective and efficient public service and sought to bring “science” to the study of government.

Brookings economists played a large role in crafting the 1921 legislation that created the first U.S. Bureau of the Budget. President Warren G. Harding called the bureau, which planned the government’s financial outlays, “the greatest reform in governmental practices since the beginning of the republic.”

A decade later, newly elected President Franklin D. Roosevelt asked his old friend Robert Brookings to help design a strategy to lift the nation out of the Great Depression.

As World War II approached, Brookings helped the government mobilize for the conflict. Some scholars joined the military or government in direct efforts, and others remained at the Institution, providing Congress with advice on how to balance the need for soldiers with the demand for civilian workers on the home front.

In the aftermath of the war, as the Institution returned to full strength, it threw its weight behind the search for policies that would restore a prosperous peacetime economy. Brookings also helped shape the Marshall Plan—the groundbreaking relief effort to help Europe. In 1948, the chairman of the Senate Foreign Relations Committee, Sen. Arthur Vandenberg, praised Brookings for a report that “would become the Congressional ‘work-sheet’ in respect to this complex and critical problem.”

Robert S. Brookings, founder – Brookings Institution Archives
Sen. Chuck Hagel of Nebraska – Ralph Alswang
President Kennedy with Brookings fellows – Brookings Institution Archives
Pietro S. Nivola, Brookings vice president – Ralph Alswang
President Franklin D. Roosevelt – Hulton Archive/Getty Images
Barry Bosworth and Susan Collins – Forrest MacCormack
Strobe Talbott, Brookings president, and South Korean Foreign Minister Ban Ki-moon, the newly elected secretary-general of the United Nations – Courtesy of the Ministry of Foreign Affairs and Trade of the Republic of Korea
Peter Orszag and Laura D’Andrea Tyson, Brookings trustee – Sam Kittner
Former Brookings President Michael Armacost with then United Nations Secretary-General Kofi Annan – Brookings Institution Archives



“If we can stimulate men to think through these questions of law and government and economics and social relations, we shall do more good to humanity than all the charities.”

—Robert S. Brookings, founder of the Brookings Institution

1850

Robert S. Brookings is born in Cecil County, Maryland



1876

Isabel Valle January, wife of Robert Brookings, is born in St. Louis, Missouri



1916

Robert Brookings and his colleagues establish the Institute for Government Research

1918

World War I ends



1922

Robert Brookings establishes the Institute of Economics

1924

Robert Brookings establishes the Robert Brookings Graduate School of Economics and Government

1927

The Institute for Government Research and the Institute of Economics merge with the graduate school to become the Brookings Institution

1929

Isabel Brookings contributes the money to build Brookings’s new building on Lafayette Square

1932

Brookings dies
Franklin D. Roosevelt is elected President

1935

Congress passes the Social Security Act



“You are a national institution, so important to at least the executive branch, and I think, the Congress, and the country, that if you did not exist we would have to ask someone to create you.”

—President Lyndon B. Johnson, *Brookings 50th Anniversary*, September 29, 1966

Brookings research provided the basis for how President John F. Kennedy organized the State Department, the Agency for International Development, and the Council of Economic Advisers. As a result of this project, the *Economist* magazine referred to Brookings as a crucial institution with “experts on tap” for the government.

In the 1970s, Brookings shaped the federal budget, and explored better ways of providing public services. In 1971, Brookings began a series of studies on the federal budget, providing in-depth analysis of various programs that helped inform the public and sharpen the spending choices for Congress. Brookings pushed for the creation of the Congressional Budget Office. Alice Rivlin, a distinguished Brookings economist, was the CBO’s first director. She continued to move back and forth between Brookings and the government in the years that followed.

The 1980s saw a Brookings-based push for comprehensive reform of the U.S. tax code. Joseph Pechman, director of the Economic Studies Program at Brookings, conducted research that led to the Tax Reform Act of 1986—a major bill that had a profound impact on the U.S. economy.

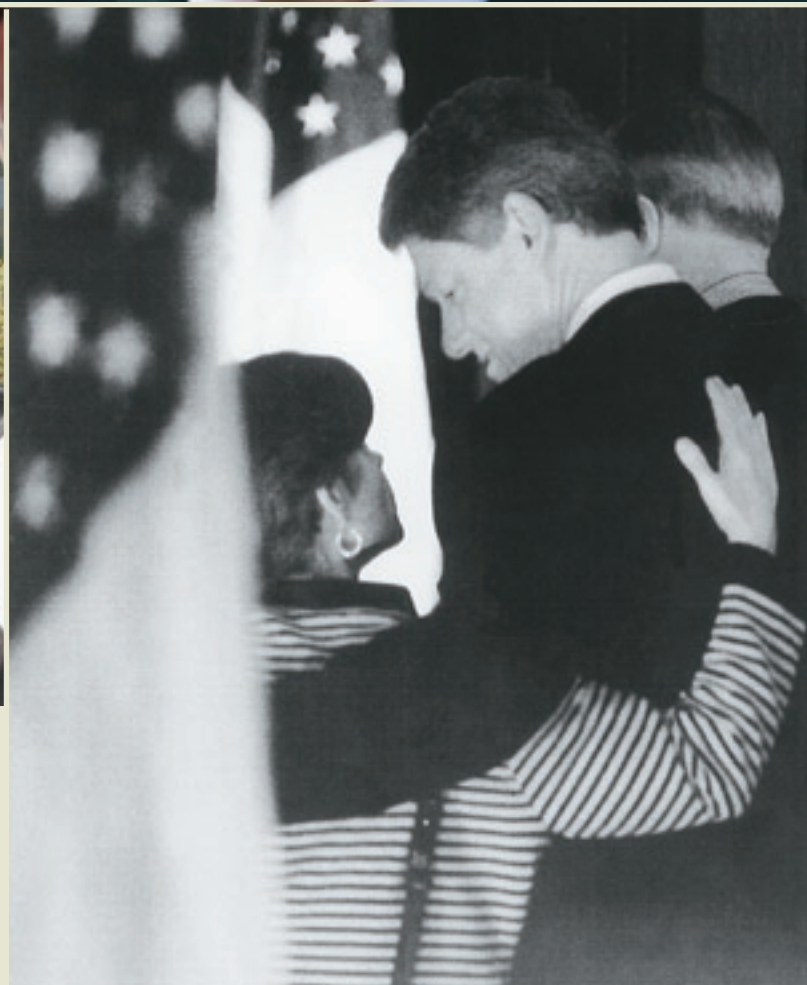
In the 1990s, the federal government devolved many of its social programs back to cities and states, and Brookings shaped a new generation of urban policies to help build strong neighborhoods, cities, and metropolitan regions. As President Bill Clinton prepared to sign historic welfare reform legislation, Ron Haskins, a former Republican congressional staffer, and Isabel Sawhill, a former budget official in the Clinton administration’s Office of Management and Budget, teamed up at Brookings to study the nation’s policies for children and families.

The ongoing effort to improve the tax system also benefited from work by Brookings economists



“Brookings is one of the oldest and most distinguished independent public policy think tanks in the United States. All democracies, especially young ones such as South Africa, must build their own capacity to do the research, analysis and public education to address underdevelopment. We hope to do so in partnership with you and others.”

—Nelson Mandela, former president of South Africa, in a Brookings address, May 16, 2005



President George H. W. Bush greets participants in a Brookings seminar for executives – Susan Biddle, *The White House*
Carlos Pascual, Brookings vice president – Sharon Farmer
Lyndon B. Johnson with Robert D. Calkins, a former Brookings president – Brookings Institution Archives
Amy Liu and Myra Dandridge – Ralph Alswang
Michael O’Hanlon – Sharon Farmer
Mann and Ornstein – Brookings Institution Archives
Bernard L. Schwartz and Susan Hockfield, president, Massachusetts Institute of Technology (MIT) – Sharon Farmer
President Bill Clinton and Alice Rivlin – Brookings Institution Archives
Brookings Chairman John L. Thornton and Nelson Mandela – Ralph Alswang

1941

Japan attacks Pearl Harbor



AP IMAGES

1944

U.S. and Allied forces invade Normandy



LT. VICTOR JORDENSEN / US NAVY/GETTY IMAGES

1945

World War II ends

1947

Marshall Plan aids European countries

1954

Supreme Court rules racial segregation in schools unconstitutional, in *Brown v. Board of Education*



TIME LIFE PICTURES/GETTY IMAGES

1955

Brookings organizes into three present-day research divisions: Economic Studies, Governance Studies, and Foreign Policy Studies

1960

Brookings moves to its present-day location on Dupont Circle



GEORGE PERRELES

1963

John F. Kennedy, 35th President, is assassinated
 Lyndon B. Johnson becomes the 36th President



CECIL STOUGH/TONY/GETTY IMAGES

1965

Medicare and Medicaid are established

Isabel Brookings dies

1971

Brookings publishes first report on Setting National Priorities

Bill Gale, Mark Iwry, and Peter Orszag. These scholars argued that the key to helping Americans save for retirement was making a tax incentive refundable in order to help lower-income workers. The legislation they inspired has helped make them three of the most quoted, and most influential, economists in the United States.

The terrorist attacks on September 11, 2001, increased the urgency of developing strategies to address the threat while sustaining America's role as a force for prosperity and stability abroad and an open society at home. With remarkable speed, Brookings scholars produced influential proposals for homeland security and intelligence operations. They also testified before Congress and used the Institution's outreach capacity, including its in-house television studio, to explain the new global reality to a frightened public.

Brookings scholar Michael O'Hanlon, a former congressional defense and foreign policy analyst, spearheaded the Iraq Index project, which provides regular, timely, and influential updates of military and reconstruction efforts.

Policy recommendations that come from Brookings fellows rise above political partisanship but remain connected to the political realities that policy-makers face. Scholars with executive-branch experience have served in administrations of both parties, and those with congressional experience have worked on both sides of the aisle. At Brookings, they often work closely together in a spirit of nonpartisanship.

Since 1916, Brookings has been joined by more than 300 other think tanks. Yet it retains a pre-eminent role in the public policy debate—uniquely independent, unlike other institutions sponsored by governments, political parties, universities, or corporate interests.

Lael Brainard (center), Brookings vice president with Smita Singh, Hewlett Foundation, and Mary Robinson, former president of Ireland — Daniel Bayer
Sen. Barack Obama, with Peter Orszag (center) and Robert Rubin — Ralph Alswang
Brookings President Strobe Talbott and Princeton's Anne-Marie Slaughter — Sharon Farmer
Robert Litan (right), Henry Aaron (center) and Charles Schultze — Brookings Institution Archives
Bruce Katz, Brookings vice president — Las Vegas Sun, R. Marsh Starks
Isabel V. Sawhill — Ralph Alswang
Ron Haskins (left) and William G. Gale, Brookings vice president — Tom Williams
Former Secretary of State Colin Powell — Brookings Institution Archives



“Brookings aims to create Washington’s first real Delphi—a place for probing the hidden patterns of modern society and assuring the ‘intellectual preparedness’ of key Americans.”

—TIME Magazine, November 28, 1960



“The centrist Brookings Institution was once again the most widely cited think tank.”

—Annual compilation of quotations from think tank scholars published by news reporting, conducted by Fairness and Accuracy in Reporting (FAIR)

1974

President Richard M. Nixon resigns



AP IMAGES

1985

Brookings inaugurates the new Center for Public Policy Education

2001

George W. Bush becomes the 43rd President

Terrorists attack New York City and Washington on Sept. 11

2002

Strobe Talbott becomes the 6th Brookings president



GREG WHITESELL/GETTY IMAGES

2004

The Center on Urban and Metropolitan Policy becomes the Metropolitan Policy Program

2005

Hurricane Katrina hits the Gulf Coast



NOAA VIA GETTY IMAGES

2006

Brookings celebrates 90th anniversary

Brookings establishes the John L. Thornton China Center

The Global Economy and Development Center becomes the fifth program at Brookings



**"Of the 27 think
tanks studied. . .
Brookings ranked #1
for credibility."**

—"Think Tanks: Who's Hot and Who's Not,"
The International Economy, Summer 2005



Bruce Katz, vice president and director of the Metropolitan Policy Program, and Amy Liu, deputy director of the program, listen to panelists discuss the rebuilding of areas hit by Hurricane Katrina.

Metropolitan Policy

During Brookings's 50th anniversary in 1966, President Johnson praised the study of urban life as an exciting breakthrough in human knowledge that came with its own special challenge: "such a mixture of physical, financial, and psychological questions as to confound the best minds in this nation."

Now celebrating its first decade of operation, the Metropolitan Policy Program embraces the rich mix of issues and disciplines that Johnson found so daunting.

"Our job is to help cities and states understand local complexities and what they mean for reform and action," said Bruce J. Katz, vice president and director of the program since its founding in 1996 and holder of the Adeline M. and Alfred I. Johnson Chair in Urban and Metropolitan Policy.

"We take an integrated, holistic approach to dealing with the challenges that leaders face in building metropolitan prosperity," said Katz, who in 2006 was selected for the prestigious Heinz Award in Public Policy. The Heinz Family Foundation awarded Katz one of the largest individual achievement prizes in the world for championing creative solutions for reshaping and restoring metropolitan areas.

In the past year, Metropolitan Policy scholars published 38 research reports; 33 op-eds in publications such as *Business Week*, *The New York Times*, *The Washington Post*, *The San Francisco Chronicle*, and *Detroit Free Press*; and delivered 97 speeches across the United States and in the United Kingdom.

Confronting the Catastrophe of Katrina

There is no better example of how Metropolitan Policy works than its response to Hurricane Katrina. The program's reach was wide, with approximately 1,200 Katrina-related print and broadcast features quoting Brookings scholars in the past year.

The program's extensive—and ongoing—work began with two major reports probing the disaster and its implications for families and the affected communities. "New Orleans after the Storm," by Mark Muro, the program's policy director, described how a series of flawed federal policies exacerbated the catastrophe's impact and showed how a meaningful recovery plan could help the New Orleans region be better than it was before,

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with less racial and economic segregation, greater safety and sustainability, and a stronger economy.

“Katrina’s Window: Confronting Concentrated Poverty across America,” by Fellow Alan Berube and Katz, nationalized the story and demonstrated that the racial and economic segregation exposed by the hurricane could be found in most major U.S. cities. As a result of that study, Fresno, Calif., convened a citywide anti-poverty task force to address its high level of concentrated poverty. Fresno was the only city among the 50 largest in the nation exhibiting deeper neighborhood poverty than pre-Katrina New Orleans.

To monitor the progress of recovery in the Gulf Coast, the program created the Katrina Index, a monthly digest of economic and social indicators of recovery. The regular publication of a selection of these indicators on the op-ed page of *The New York Times* demonstrated the media’s interest in staying on top of the Katrina story and further positioned Brookings as a leading source of information.

The program’s work on Katrina earned Metropolitan Policy deputy director Amy Liu a spot on Louisiana Gov. Kathleen Babineaux Blanco’s “dream team” of urban planners, architects, and policy experts assembled to advise the Louisiana Recov-

ery Authority. Liu and a group of Metropolitan Policy scholars made multiple trips to the region before presenting a set of future economic and workforce scenarios, along with policy recommendations.

Elsewhere in the country, Metropolitan Policy remained deeply engaged with state and city leaders, building on its earlier success in Pennsylvania to design comprehensive approaches to economic competitiveness in New Jersey and Maine. A policy agenda for strengthening Massachusetts mill towns and a strategic plan for downtown Detroit were two of the many projects that took Metropolitan Policy scholars “beyond the Beltway” to meet with local stakeholders from the civic, business, political, and academic sectors.

Exploring the Diversity of America

At the national level, the program had a major impact by informing decision-makers about how the world has fundamentally changed since the Johnson era. William Frey, visiting fellow, in his widely reported “Diversity Spreads Out” paper, charted the dispersal of minority populations, including immigrants, from their traditional urban centers to the suburbs and to rapidly growing job centers in the South and West.

Equally important were Metropolitan Policy studies revealing the decline of middle-class neighborhoods in metropolitan areas. In the nation’s older suburbs, meanwhile, Fellow Robert Puentes found that fully one-fifth of America now lives in these “inner-ring” communities and faces a unique set of challenges—such as concentrations of elderly and immigrant populations as well as outmoded housing and commercial buildings—vastly different from those of the center city and fast-growing newer places.



Rob Puentes, Metropolitan Policy fellow, addresses the New York Nonprofit Leadership Summit in May 2006.

Metropolitan Policy also worked to develop innovative solutions to help advance the economic and social well-being of metropolitan residents, especially working families. To boost the spending power of such families, Metropolitan Policy Fellow Matt Fellowes looked at an array of policy and business responses to bring down the higher prices that lower-income households often pay for necessities. Coverage of his report, “From Poverty, Opportunity: Putting the Market to Work for Lower Income Families,” quickly became the most frequently emailed item on *The New York Times* Web site.

Senior research associate Howard Wial released the first two products of the Metropolitan Economy Initiative, a multi-year undertaking made possible by a lead grant from the John D. and Catherine T. MacArthur Foundation and additional funding from the Ford Foundation. The initial studies examined manufacturing job loss in the Great Lakes region and the role of “cluster” strategies in regional economic development.

Metropolitan Policy also launched an initiative to help



Metropolitan Policy immigration expert Audrey Singer explains policy implication at a Brookings briefing on the President’s State of the Union Address.

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revitalize 65 “weak market” cities across the country—former industrial areas whose populations have stagnated or declined steadily since World War II. The project has benefited from a partnership with the London School of Economics examining policy innovations in older industrial cities on both sides of the Atlantic. Traveling frequently to Europe, Katz and his Metropolitan Policy colleagues brought home lessons from revitalization programs in places such as Sheffield, Belfast, Torino, and Leipzig.

Brookings Greater Washington

The Brookings Greater Washington Research Program (BGW) continued its concentration on key urban issues facing the Institution’s hometown. Senior Fellow Alice Rivlin, in her role as director of BGW, completed her assignment as co-chair of the District of Columbia’s Comprehensive Housing Strategy Task Force and delivered an extensive set of policy recommendations on preserving and producing affordable housing. With impressive speed, the Mayor and City Council added funding to the city’s 2007 budget to underwrite the implementation of several main components of the task force recommendations.

BGW also carried forward its work with other partners on the Medical Homes DC project, a long-term effort to improve the ability of community health centers to provide high-quality care to low-income and uninsured District residents. BGW’s research has documented the health status of low-income District residents and the need to develop more capacity within the medical safety net. Its work also is underpinning the development of a citywide community health worker program to better link medically underserved residents with primary care services.



Sen. Hillary Rodham Clinton of New York discusses Brookings research on the “First Suburbs” communities at a February 2006 forum.

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Another major focus is reducing the high poverty rate in Washington, D.C. BGW staff developed proposals to strengthen and reform the job training and education system in the city to better serve low-income residents and meet the needs of area employers. These proposals are being circulated among community leaders and city officials in hopes of moving significant numbers of unemployed residents into jobs and career paths, which promise steady income.

Urban Markets Initiative

In the past year, the Urban Markets Initiative (UMI) made sub-

stantial progress in developing new information-based tools and resources to spur public and private investment in urban markets.

UMI oversaw the development of innovative tools such as the Housing + Transportation Affordability Index, which helps communities better understand the true costs of sprawl, and intelligent middleware, a tool developed at Massachusetts Institute of Technology that allows analysts to integrate multiple datasets.

UMI is actively incubating new information-based initiatives in the realms of retail and commercial development, informal

economic activity, and small-business credit scoring. It is hosting the development of the National Infrastructure for Community Statistics, an Internet-based marketplace to share thousands of data sources, an effort praised by Federal Reserve Chairman Ben S. Bernanke. UMI emerged as an effective advocate before Congress and the administration on behalf of users of federal demographic and economics statistics on cities and neighborhoods; for example, it played an active role in educating Congress about the importance of adequate funding for the Census Bureau. ■

Support for Brookings

Investing in Impact

On its 90th anniversary, the Brookings Institution is grateful to the generous individuals, corporations, and foundations whose support created the Institution, and for those who continue to support its independent research and innovative policy solutions. Each gift helps enable Brookings to inform the public debate and provide high-quality analysis and recommendations for decision-makers in the United States and abroad.

Ninety years ago, Robert S. Brookings aspired to create an institution that would provide unbiased information to guide policy-makers through their toughest decisions. Others who became financial investors in the new organization shared his goal. Corporations and philanthropic foundations soon joined these individuals to provide the resources to build an enduring research institution.

Started with a grant of \$160,000, the Brookings Institution has grown to an annual budget of more than \$50 million. Early funding for the organization's programs came from the Carnegie Corporation, the Rockefeller Foundation, and the Ford Foundation. These supporters and many more continue to collaborate with the Institution today. As the Brookings Institution neared its 50th anniversary in 1966, a major gift established an endowment to ensure that it would be able to maintain itself independently.

Today, the Brookings endowment has grown to \$253 million, providing approximately 25 percent of the Institution's annual budget. Brookings must raise the balance of its annual budget from individuals, corporations, and foundations that share our commitment to finding innovative, practical solutions to pressing public policy challenges.

Brookings is guided by a commitment to quality, independence, and impact. To maintain quality, the Institution must attract and retain the best scholars. To maintain independence, decisions on the right questions to ask and the right way to arrive at the answers must always remain in the hands of the scholars. To maintain impact, the Institution must reach out strategically to influential audiences in the policy-making community, the media, and the private sector, at a time of increasing competition from a proliferation of news outlets and the establishment of numerous new think tanks.



Linda Steckley, vice president of development, addresses Brookings Trustees and members of the International Advisory Council, as IAC member Frank Lowy of Westfield Holdings looks on.

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Brookings carefully balances its funding to respond to current events and undertake long-term research projects. As new challenges emerge, friends of the Institution generously contribute to make new research possible, while flexible funding from unrestricted contributions and the endowment enable rapid responses to developing issues. The corporations, individuals, and foundations that support Brookings are crucial to the Institution's ability to live up to its motto: Independent Research Shaping the Future.

Individuals, and Community and Business Leaders, Actively Engaged in Brookings

The Brookings Council brings together a select group of thoughtful business and community leaders who are actively engaged in the life of the Institution, and who get a first look at Brookings research on a wide range of urgent issues.

Members of the Council are invited to attend events in cities from coast to coast, giving them excellent opportunities to engage with some of the best public policy minds in the world today, as well as with each other.

This interaction between Council members and Brookings scholars was highlighted at the 2006 Annual Brookings Council Forum in New York. The topic, "Strengthening American Leadership and Competitiveness," brought together some of Brookings's leading experts to discuss one of the most challenging topics facing the U.S. today. The open discussion, moderated by Brookings President Strobe Talbott, conveyed what is the essence of Brookings: a multidisciplinary approach offering differing opinions with no ideological

agenda. Council members actively participated, posing questions and offering their own informed responses, and giving Brookings scholars a chance to hear what is on the minds of Council members and reply with up-to-the-minute analysis.

The Brookings Council comprises more than just donors; they are supporters with a shared interest in the advancement of independent public policy research. The Brookings endowment generates funding for approximately 25 percent of the annual operating budget, but the remaining 75

A Legacy of Impact: John C. Whitehead

Since its creation 90 years ago, in 1916, Brookings has been the beneficiary of the foresight and generosity of its founder, Robert S. Brookings, as well as hundreds of other benefactors who believe that a strong government is built on sound public policy. One such leader is John C. Whitehead.

A former chairman and CEO of Goldman Sachs, Whitehead knew a good investment when he saw one. He became chairman of the Brookings Board of Trustees in 1992. He had served on the Board for three years before his election as chairman—long enough to know that Brookings was well run.

Exemplifying the values he held then and still holds, Whitehead made an endowment gift of \$1.5 million to Brookings in 1992 to establish the John C. and Nancy D. Whitehead Chair. With this

investment, he set an example of leadership for other members of the Board to follow. Whitehead designated the chair for Institution-wide purposes. This demonstrated his profound understanding that the Institution derives maximum benefit from gifts that provide the widest possible latitude in their use. In 2006, when the value of the Whitehead Chair had increased to \$2.4 million, Whitehead added a \$1 million bequest to the existing chair in recognition of the sound management of the Institution under Strobe Talbott. Whitehead's generous act will further strengthen the financial stability of the Institution and reinforce his enduring legacy.

Whitehead has exemplified leadership in every aspect of his professional life in the corporate, government, and nonprofit sectors. Among his many corporate and public service accomplishments, he served as

deputy secretary of state; co-chairman and senior partner of Goldman, Sachs & Company, where he worked for 37 years; and as chairman of the Lower Manhattan Development Corporation from 2001 to 2006. Currently, he is chairman of the World Trade Center Memorial Foundation.

The Brookings Institution stands on three pillars—quality, independence, and impact. Whitehead affirms the important role that scholars play in ensuring that their work has impact. "Brookings scholars should want to influence public policy, and that means that they should eagerly seek opportunities to testify before Congress, to write op-ed pieces, to appear on television, to be newsmakers and visible figures in the field."

Brookings Senior Fellow Gary Burtless, who holds the John C. and Nancy D. Whitehead Chair, engages in public outreach work to ensure that his research becomes part of



John C. Whitehead

JOE STANDAERT PHOTOGRAPHY, NEW YORK, NY

public policy formation. His work garnered widespread attention when Social Security reform was at the top of President Bush's domestic policy agenda. Burtless has been helping the Social Security Administration develop methods for improving forecasts of individual earning over the life cycle. Many of his recommendations were incorporated into the administration's proposals for how private accounts

might be administered.

Endowment and planned gifts, like those made by John Whitehead, provide for the ongoing work of scholars such as Burtless and the long-term vitality and financial strength of the Institution. These fundamental resources have a profound effect on Brookings's ability to inform the public policy debate and have an impact on the formation of innovative public policy solutions for the nation—and the world. ■

International Advisory Council

The International Advisory Council (IAC) was established to help 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. The members—leaders in their industries who represent 18 countries on five continents—are already providing invaluable advice and support for Brookings as it becomes an increasingly global think tank. They offer their diverse perspectives on developments in their own regions, along with candid insights into how America and its

policies are received. Chaired by Brookings Trustee Antoine van Agtmael, the Brookings International Advisory Council held its inaugural meeting in Washington, May 8–9, 2006. The goal of the meeting was to sort through conflicting political and economic signals and make sense of an interdependent world at a complex time. The founding members of the IAC interacted with Brookings scholars, trustees, and key senior officials from the Bush administration, including Secretary of Defense Donald Rumsfeld, Under Secretary of Defense for Policy Eric Edelman, Assistant to the President for National Security Affairs Stephen Hadley, and Director

of National Intelligence John Negroponte.

International Advisory Council Members

Antoine van Agtmael, President & CIO, Emerging Markets Management, LLC, Chairman
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Katsuhiko Nakagawa, Vice Chairman, Toyota Motor Corporation, Japan
 Hutham Olayan, President & CEO, Olayan America Corporation, originally from Saudi Arabia
 Victor Pinchuk, Founder, Interpipe Group, Ukraine
 Marco Tronchetti Provera, Chairman & CEO, Pirelli S.p.A., Italy
 Itamar Rabinovich, President, Tel Aviv University, Israel
 Wanda Rapaczynski, Chairman & President, Agora, Poland
 Nathaniel Rothschild, President, Atticus Capital, United Kingdom
 Marcus Wallenberg, Chairman, Skandinaviska Enskilda Banken AB, Sweden ■

percent comes from the generous support of Brookings's donors. As Brookings's leading benefactors, members of the Council provide the fundamental resources that allow the Institution to fulfill its critical mission of independent research and innovative policy solutions. The commitment of the Brookings Council is key to the continued success of Brookings and its ability to provide high-quality analysis and realistic policy recommendations.

Individual council members seeking deeper involvement on specific topics also contribute pivotal funding for projects within Brookings programs. While all Brookings projects are essential to the policy debate, many of them could not be undertaken without the support of the Brookings Council. The Council's backing guarantees that Brookings scholars can examine major issues ranging from U.S. competitiveness and health policy, to national budgeting and global energy security. Many Brookings initiatives include Coun-

cil donors in specialized advisory committees, creating further opportunity for them to interact with scholars on vital issues. This partnership is essential for Brookings ideas to have the greatest impact.

Corporate Investment in Brookings Ideas

Corporate leaders have long supported Brookings because they value the insight and analysis that our researchers provide on the pressing issues that affect their business decisions. In 1920, a group of 92 corporate donors joined founder Robert S. Brookings and 12 other individuals in establishing a five-year sustaining fund to ensure the Institution's survival through its critical early years. Since then, we have continued to rely on the financial and intellectual support of the world's leading businesses.

Among the many companies that funded Brookings in 2006, several stand out for their generous gifts of \$100,000 or more. These donors include AT&T, Allstate, DaimlerChrysler, ExxonMobil,

Reliance Industries, State Farm, and Visa. The resources provided by these companies helped Brookings to increase its capacity to conduct impartial, independent research on important economic, governance, and foreign policy questions of the day.

Over the past year, corporate donors had the opportunity to participate in a variety of events featuring leading policy-makers and Brookings scholars. The First Monday Lunch series continues to be the cornerstone of the Washington, D.C.-based Corporate Council



Nemir Kirdar (left) of Investcorp speaks with Javier Solana of the European Union at the inaugural IAC meeting in May 2006.

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program and the primary venue for discussion with Brookings scholars.

The Brookings Council Forum in New York in February gave corporate Council members the opportunity to engage with scholars from across the Institution. At the Chairman's Lunch, which is open to major donors, Board Chairman John L. Thornton focused the discussion on China, where he holds the position of professor and director of the Global Leadership Program at Tsinghua University in Beijing. As with all of our events, the active participation of Council members gave our scholars a chance to hear the real-world comments of the business community and respond with informed analysis.

In September 2005, Brookings and Goldman Sachs convened a two-day conference in New York on the Top 10 Financial Risks to the Global Economy. Following a welcome from Henry Paulson, then-chairman and CEO of Goldman Sachs, scholars from Brookings and elsewhere led panel discussions on hedge funds and derivatives, the world oil supply, wealth disparities in emerging economies, trade liberalization, environmental accords,

global terrorism, and world health conditions.

Brookings scholars expanded their work on health policy in 2006 as we continued to develop plans for a center on health policy. Brookings gathered the nation's leading health care experts and stakeholders for a series of forums to discuss policy and industry perspectives on health care costs, health care rationing, and employment-based insurance. With the growing impact of health care costs on the bottom line, the input of corporate leaders is especially important. Senior executives from Eli Lilly, WellPoint, General Electric, and Costco participated in forum panels and shared their experiences and insights.

The Vital Role of Foundations

Private foundations have been central to sustaining Brookings's activities since the Institution's founding. The Rockefeller Foundation provided funding for early studies on improving government

MARSHALL COHEN

Brookings Trustee Larry Thompson (left), Edward Ingle of Microsoft, and Mark McClellan, former administrator for the Centers for Medicare and Medicaid Services who has joined Brookings as a visiting senior fellow.



operations. A 10-year, \$1.65 million grant from the Carnegie Corporation of New York enabled the Institution to build and sustain research programs addressing the pressing issues of the post-WWI world. In later years, a \$5 million grant from the Ford Foundation supported continued growth of Brookings's programs, while another \$1.2 million grant from Ford supported the construction of Brookings's headquarters in Washington. In the 1960s, the Ford Foundation made a \$14 million grant that helped build the Institution's endowment and provide invaluable operating support over 10 years. These same foundations continue to support Brookings today.

Brookings is grateful for the long-standing support of the many private foundations whose generosity has helped sustain the Institution over the last 90 years. Several made particularly important contributions to Brookings this past year.

The **Ford Foundation** supported Brookings with nearly \$1.75 million in grants, provid-

ing critical resources for projects across the Institution. Ford supported a study of intergenerational asset building in Ecuador, including conferences and papers. The recommendations coming out of this study are encouraging a rethinking of support programs for the poor that can be replicated in other developing countries. Another Ford grant supported economist Jeffrey Kling's new work that is beginning to examine how families make decisions about use of Earned Income Tax Credit (EITC) refunds, the role of the EITC in asset accumulation, and perceptions of incentives due to the EITC. The Ford Foundation also continued to be a core supporter of Brookings's Metropolitan Policy Program, making grants for research and policy development initiatives to improve the economic, fiscal, environmental, and social health of metropolitan areas across the country.

Living Cities: The National Community Development Initiative, a partnership of philanthropic, corporate, and government

investors, is another key supporter of the work of the Metropolitan Policy Program. Living Cities and the Metropolitan Policy Program's shared commitment to rejuvenating urban neighborhoods led to a policy development and outreach project to understand the social and economic impact of Hurricane Katrina. Living Cities also extended its generous support of the Metropolitan Policy Program's analysis of Census data, which provides leaders in the public, private, and nonprofit sectors with a deeper understanding of the demographic dynamics of cities and suburbs and what those dynamics mean for policy.

The Brown Foundation, Inc. of Houston renewed its five-year, \$1 million grant to Brookings to support the Brown Center Report on American Education. This flagship annual publication of the Brown Center on Education Policy effectively bridges scholarship and public policy by informing the public debate on American education and academic achievement. With the support of the Brown Foundation, the report and the Brown Center's other research

and outreach activities have established the center as a premier source of informed research on education policy issues.

The **Starr Foundation** has been a critical supporter of the center for Northeast Asian Policy Studies (CNAPS) since it helped establish the center in 1998 with a five-year, \$1 million grant. In 2006, Starr renewed its commitment to Brookings's work on the region with a two-year grant for CNAPS activities. The Starr Foundation's grant supports research, publications, conferences, and seminars in Washington and Asia, and provides vital resources for the CNAPS visiting fellows program, which welcomes scholars, government officials, and journalists from throughout Northeast Asia for intensive residencies at our Washington headquarters.

Brookings is grateful to all of its foundation donors for their generous support of the Institution. The resources they provide are a vital part of the Institution's ability to fulfill its commitment to quality, independence, and impact. ■



Hutham Olayan, CEO of Olayan America Corporation, addresses the International Advisory Council and the Board at the May 2006 meeting, including Honorary Trustee Ezra K. Zilhka (right).

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Impact on Global Poverty: James D. Wolfensohn

James D. Wolfensohn, a member of the Brookings Board of Trustees since 1983, has seen firsthand the challenges of global poverty during his tenure as the president of the World Bank and as Special Envoy to the Middle East with the task of overseeing the economic rehabilitation of the Palestinian territories after Israel's disengagement from Gaza.

Wolfensohn's commitment to fighting global poverty and improving the effectiveness of national and international development efforts led him to establish the Wolfensohn Center for Development, an integral part of the new Global Economy and Development Program at Brookings.

Wolfensohn generously provided in 2005 an initial grant of \$1 million to support practical, innovative, and action-oriented research related to combating global poverty. In 2006, he further committed to raise a minimum of \$10 million for the next five years and to contribute personally at least half the amount. His extraordinary support enables Brookings to redouble its commitment to the study of poverty on a national, regional, and global scale.



COURTESY OF JAMES D. WOLFENSOHN

The center's mission is to conduct interdisciplinary research on the central question in development policy: how promising interventions can be successfully implemented, scaled up, and sustained to solve key development challenges. The new center will be led by executive director Johannes Linn, who also guided its preparation for the past year.

"I am pleased that the center's research will focus on how to scale up and sustain successful develop-

ment interventions. I have seen too many good initiatives wither away because of political and bureaucratic obstacles and a lack of incentives for individuals and institutions to persevere," Wolfensohn said. "If we are to succeed in addressing the huge challenges of global poverty, demographic pressures, health and environmental threats, we have to find ways to scale up and sustain projects and programs over time. Brookings is an ideal institution to take on this work." ■

Welcoming New Leaders

The Brookings Board of Trustees is composed of distinguished business executives, academics, former government officials, and community leaders. Trustees provide general supervision of the Institution, approve the fields of scholarly investigation, and safeguard the independence of the Institution's work. We are fortunate to have a strong tradition of trustee participation in the financial support of the Institution's mission. We are pleased to welcome three new trustees to the leadership of the Institution.

ROBERT J. ABERNETHY President American Standard Development Co., Inc.	EDGAR RIOS Executive Vice President and General Counsel UnitedHealth Group	ANDREW H. TISCH Co-Chairman of the Board Loews Corporation
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\$500,000 - \$999,999

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Daniel B. Zwiirn

\$50,000 - \$99,999

Anonymous
Robert John Abernethy
Roger Agnelli, Companhia Vale do Rio Doce
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Brookings Institution Press

As the United States marches into a precarious new era, requiring a sharper focus on global issues and a greater understanding of government actions, the Brookings Institution continues to present comprehensive research and unique points of view to simplify the complex, changing world. Brookings scholars—writing in a style that reaches the public as well as other scholars and academics, and offering practical approaches to policy roadblocks—maintained the Institution's pre-eminence over analysis of topics ranging from domestic policy to foreign policy, and from urban affairs to global affairs.

In fiscal 2006, Brookings published 51 new books by scholars and outside experts. These books covered a wide range of issues, including the rationing of health care; cross-strait relations; metropolitan urban and suburban challenges; corporate social responsibility, homeland security concerns and the adequacy—or inadequacy—of policies designed to address them; the oil industry; foreign correspondents; regulatory reform; and competitiveness.

Richard Bush, director of Brookings's Center for Northeast Asian Policy Studies, published *Untying the Knot: Making Peace in the Taiwan Strait* in July 2005. Bush's book explores the significant differences and many similarities between China and Taiwan and the difficulties that must be resolved to calm the Taiwan Strait given growing military power in Asia. Reflecting Brookings's expanding international reach, *Untying the Knot* was

well received in Asia as well as in North America. According to the *Far Eastern Economic Review*, "While Mr. Bush believes that the cross-strait dilemma may never be entirely resolved, his book achieves its objective of clarifying the dispute and steering readers away from dangerous misassumptions."

Domestically, Brookings continued to aid local leaders and urban planners with insightful,

reform bill into law. To commemorate the anniversary, one of the original architects of the bill and former Ways and Means staff member Ron Haskins published *Work over Welfare: The Inside Story of the 1996 Welfare Reform Law*. Haskins's book tells the inside story of the legislation that ended "welfare as we know it" and provides the most authoritative account on welfare to date.

new reality of modern warfare head-on.

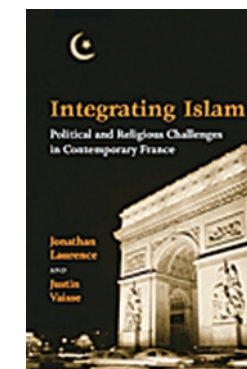
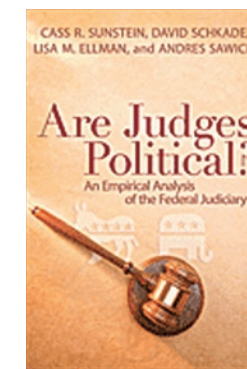
Forbes.com recently selected *Protecting the Homeland 2006/2007* for inclusion in its book club. Written by scholars Michael d'Arcy, Michael O'Hanlon, Peter Orszag, Jeremy Shapiro, and James Steinberg, the book reviews the current state of homeland security, assesses the nation's remaining vulnerabilities, and suggests new policies to improve security in the United States.

Choice named two new Brookings Press books as Outstanding Academic Titles: *The Idea of Pakistan*, by Senior Fellow Stephen Cohen, and *National Pastime*, by economists Stefan Szymanski and Andrew Zimbalist. The magazine called Cohen's work "a lucid, penetrating and brilliantly constructed book on the state and nation of Pakistan."

Robert Gallucci, Joel S. Wit, and Daniel Poneman won the American Academy of Diplomacy's Douglas Dillon Award for *Going Critical: The First North Korean Nuclear Crisis*. The award goes to a "book of distinction in the practice of American diplomacy."

For the second year in a row, Brookings Press won the top literary prize in public administration, the Academy of Public Administration's Louis Bronlow Award, for *Government by Network: The New Shape of the Public Sector*, by Stephen Goldsmith and William D. Eggers.

The Brookings Press continues to play a key role in achieving goals important to the Institution and its mission. By providing the bridge between scholarship and policy-making, the Press offers the opportunity for scholars and outside experts to reach decision-makers and inform public debate through innovative thought. ■



guideline-oriented publications. Bruce Katz and Robert Puentes, of the Brookings Metropolitan Policy Program, edited *Taking the High Road: A Metropolitan Agenda for Transportation Reform*. The book made *Planetizen* magazine's recent top 10 list of books in planning and development.

This year also marked the 10-year anniversary of President Clinton's signing of the welfare

The high quality of Brookings books was recognized by a number of prestigious awards:

Scholar Peter W. Singer received distinguished honors from the Robert F. Kennedy Memorial this year for *Children at War*. Singer's book is the first comprehensive analysis of the growing global use of children as soldiers and why the U.S. government and the international community must face this

Center for Executive Education

From Robert S. Brookings's service on President Woodrow Wilson's War Industries Board during World War I, the St. Louis businessman concluded that there was a shortage of staff members "fitted by education and experience" to perform essential government work during a crisis. Further investigation convinced him that universities were teaching the theory of government service, but not the practice.

Therefore, in 1924, he established the Robert Brookings Graduate School of Economics and Government to help federal executives acquire "the trained intelligence essential to the ultimate success of government." The inaugural class comprised 30 men and women.

The school was the forerunner of today's Brookings Center for Executive Education (BCEE). "The leadership development emphasis of BCEE's executive education program resurrects the original intent of the training function of Brookings," said Terry Goodwin, BCEE director.

The program was known by a variety of names over the decades, and until 1936, attendees could earn doctoral degrees at Brookings. This year, nearly 3,000 executives attended more than 70 BCEE programs, most of them lasting at least five days. About 85 percent of the attendees are government executives; the remaining 15 percent are from business. Most of the programs take place in Washington, D.C., but other locales include Belgium, the Netherlands, Egypt, Chicago, Charlottesville, Va., and Warrenton, Va.

The "faculty" includes such Brookings scholars as Michael O'Hanlon, E.J. Dionne, Jr.,

Thomas Mann, Peter Orszag, and Susan Collins, as well as professors from universities and congressional members and staffers who share their real-world policy-making experience.

Former director Lee Fritschler recalled that in the 1980s, the number of business executives attending the program expanded, particularly from the telecommunications, health care, and energy industries. Also beginning in that period, executives attending the program were taken abroad to familiarize them with the workings of foreign governments. Executives from Korea, China, and Japan began traveling to the United States to attend the program at Brookings.

Nanette Blandin, another former director, noted that during her era, Brookings began to design customized executive education programs to meet the specific needs of individual companies, such as State Farm Insurance, Boeing, and IBM. BCEE tailored programs for other organizations—such as the Credit Union Executives Society, the Dutch Embassy, and a Finnish think tank—and groups, such as senior officials from the United Arab Republic.

Among the specialized BCEE courses is the Judicial Education

program, which brings state appellate and Supreme Court judges from all over the country to Washington for two weeks of seminars on such complex economic issues as punitive damages and construction-defects litigation. The goal, Goodwin said, is "to educate

Sens. Hillary Clinton of New York, Orrin Hatch of Utah, Larry Craig of Idaho, and Edward M. Kennedy of Massachusetts.

Of course, the best way to gauge the success of BCEE is to listen to the executives who have been through the program.



Sen. Orrin Hatch of Utah

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judges to make better decisions."

Goodwin said that BCEE plays a vital role in training and certifying a new generation of government executives needed to replace the current generation, which will retire soon.

An important BCEE program, the LEGIS Fellows project, presents three weeks of orientation courses on "How Congress Works" to executives from government agencies, and then places them on the staffs of senators and House members for stints of seven to 12 months. "These are very well qualified executives," Goodwin noted, "the up-and-comers."

Last year, Brookings LEGIS Fellows served on the staffs of

"The LEGIS Fellows program provides the kind of hands-on, in-depth experience that helps to demystify the world of congressional politics and policy," said Elain Dezinski, who participated in the program when she was Department of Homeland Security deputy assistant secretary for policy and planning in the Border and Transportation Directorate.

"A great opportunity to develop a foundation in politics and policy-making, essential to any future career executive," said Gregory Kay, who attended several BCEE programs as director of strategic services at the Internal Revenue Service office in Fresno, Calif. ■

Impact in Action: Brookings Scholars Testify on Capitol Hill

Founder Robert S. Brookings believed that the Institution's scholars must frame the issues of the day accurately and impartially, "presenting ideas without ideology." That goal has guided 90 years of Brookings counsel to policymakers who seek solutions to the nation's most complex policy challenges.

One effective means for Brookings to influence policy and legislation is congressional testimony. This year Congress repeatedly asked Brookings scholars to help them understand the challenges facing the nation and weigh alternative policies. Despite political polarization, lawmakers of both major parties found Brookings a source of fact-based, responsible analysis and recommendations.

In the past year, Brookings scholars testified more than 40 times on a wide range of topics. These included lobbying reform, economic competitiveness, relief for internally displaced persons and refugees, domestic entitlements, changes in society, the District of Columbia's government, the estate tax, Social Security, preparedness in the face of bio-terrorism, and homeland security.

In September, just after the ceasefire in Lebanon went into effect, Carlos Pascual, vice president and director of Foreign Policy Studies, undertook a fact-finding trip. Immediately on his return to Washington, he went before the Senate Foreign Relations Committee to lay out his findings and suggest ways that the United States and the inter-

national community could most effectively assist in post-conflict reconstruction and aid.

On numerous occasions during the year, Senior Fellows Kenneth Pollack and Michael O'Hanlon brought their expertise to bear on Congress' inquiries into the war in Iraq and policy toward the Middle East in general. Pollack also helped legislators and policy makers who were dealing with the nuclear challenge posed by Iran, while O'Hanlon addressed the looming issue of weapons in space.

Senior Fellow Thomas E. Mann, one of the most respected experts on politics and election reform, appeared before the House Rules Committee as it addressed congressional oversight of the lobbying industry. "Transparency is key to lobbying reform, in my view more important than a ban or further restrictions on gifts and travel," Mann told the lawmakers, as they considered new regulations.

Ron Haskins, a senior fellow, was a key architect of the 1996 welfare reform legislation as a staffer on the House Ways and Means Committee. Ten years after President Clinton signed welfare reform into law, Haskins returned to that same committee to testify on the origins of the welfare reform law and its effects on employment, poverty, marriage, and teen pregnancy. Haskins concluded that in the last several decades of social policy, "Welfare reform stands out as federal legislation that actually met its goals."

Isabel V. Sawhill, another senior fellow, has testified relentlessly on the issue of fiscal responsibility and need for the long-term health of the nation's entitlement programs. "Like many others, I worry that currently projected deficits are a grave threat to our economy," she told the

In a year when President Bush made U.S. competitiveness a centerpiece of the nation's agenda, Brookings was very much on top of that issue. To aid Congress' understanding of the subject matter, two senior fellows—Lael Brainard, vice president and director of the Global Economy

Brookings scholars often find ways other than testimony to reach lawmakers. Andrew Reamer, deputy director of the Urban Markets Initiative, has, like the Institution as a whole, made innovative use of cyberspace. In a Web-based editorial, he argued against cutting the Census Bureau's



Senior Fellow Alice Rivlin testifies on the District of Columbia's progress to the Senate Committee on Homeland Security and Governmental Affairs at a July hearing.

JOHN HARRINGTON

House Committee on the Budget.

Alice Rivlin, director of the Brookings Greater Washington Research Program, appeared before an oversight subcommittee of the Senate Committee on Homeland Security and Governmental Affairs in July 2006 to praise the District's renaissance. "Thousands of units of housing are being constructed and renovated, new stores are opening and older ones expanding. Neighborhoods are showing new signs of life all over the city," she said.

and Development Program, and Barry Bosworth, both testified before the Senate Finance Committee. Brainard argued that the United States was not saving enough to be competitive. She said, "To remain competitive, America must invest. And to invest, ultimately America must save." Bosworth had a different view, explaining, "We are in the midst of a domestic boom with very low rates of unemployment, and we could not possibly support our spending out of our own productive resources."

budget and explained that with accurate demographic data, state and local law enforcement can create effective programs for combating growing crime areas. Reamer thought it inexcusable to cut back on this "crime-mapping" system, and so did some members of Congress. His piece was circulated in a "Dear Colleague" letter from members of the House Census Bureau Oversight Subcommittee, and Rep. Alan Mollohan of West Virginia specifically cited Reamer's work during debate on the House floor. ■

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2006 and 2005 (in thousands)
(Unaudited)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2006 TOTAL	2005 TOTAL
OPERATING REVENUES					
Investment return designated for operations	\$ 11,096			\$ 11,096	\$ 10,653
Grants and contracts	1,265	\$32,896		34,161	28,704
Contributions	3,466	(7)		3,459	3,307
Conferences	4,230			4,230	4,015
Brookings Institution Press	2,533			2,533	2,502
Information Technology Services	25			25	38
Interest and dividends	157			157	46
Rental income, net	144			144	148
Visiting scholars	100			100	329
Other income	7			7	42
Net assets released from restrictions-				0	0
Grants and contracts	27,194	(27,194)		0	0
Total Operating Revenue	50,217	5,695		55,912	49,784
OPERATING EXPENSES					
Operating programs					
Economic Studies	7,598			7,598	6,949
Foreign Policy Studies	11,130			11,130	8,802
Governance Studies	1,864			1,864	1,810
Metropolitan Policy	5,876			5,876	4,312
Other research	233			233	258
Center for Executive Education	5,133			5,133	4,682
Brookings Institution Press	2,709			2,709	3,088
Communications	1,113			1,113	891
Global Economy and Development	2,839			2,839	1,110
Total Operating Programs	38,495			38,495	31,902
Supporting services:					
Management and General					
Information Technology Services	2,673			2,673	2,614
Administration	5,022			5,022	4,257
Interest expense	32			32	58
Post-retirement benefits	131			131	198
Total management and general	7,858			7,858	7,127
Development	2,453			2,453	2,191
Total Operating Expenses	48,806			48,806	41,220
Operating revenues over operating expenses	1,411	5,695		7,106	8,564
NON-OPERATING ACTIVITIES					
Investment return in excess of amounts designated for operations					
Realized gain (loss) on sale of investments	15,733			15,733	7,135
Unrealized gain (loss) from investments	9,173			9,173	11,598
Interest and dividends, net	1,718			1,718	3,103
Investment income allocation	(11,096)			(11,096)	(10,653)
Contributions-Permanent Endowment			(488)	(488)	1,788
Change in net assets from non-operating activities	15,528		(488)	15,039	12,971
INCREASE (DECREASE) IN NET ASSETS	16,939	5,695	(488)	22,145	21,535
Net assets at the Beginning of the Year	186,944	34,543	48,252	269,739	248,204
Net assets at the End of the Year	\$203,883	\$40,238	\$47,764	\$291,884	\$269,739

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2006 and 2005 (in thousands)
(Unaudited)

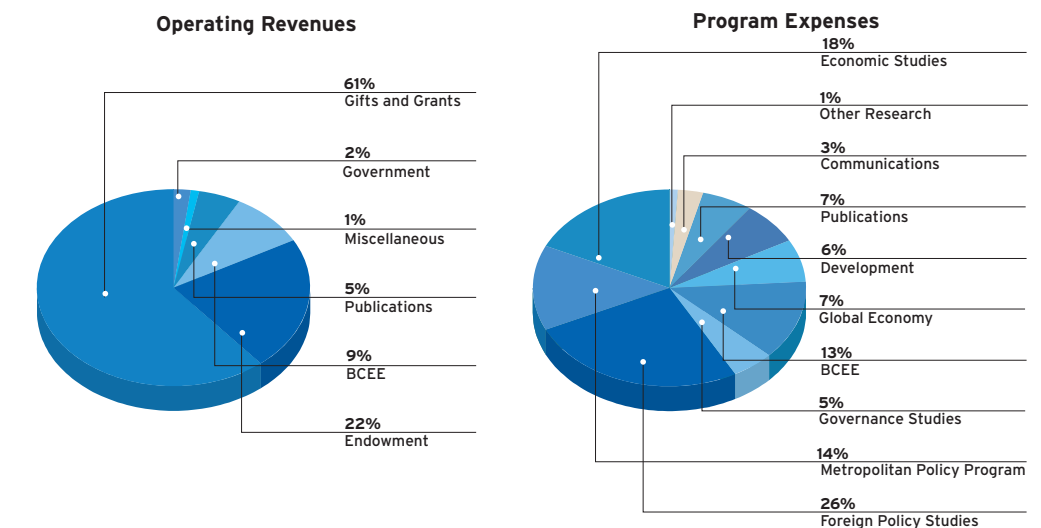
	2006	2005
ASSETS		
Cash and cash equivalents	\$ 8,347	\$ 7,689
Accounts receivable	1,857	2,520
Grants and contracts receivable	26,536	23,368
Pledges receivable	1,102	1,320
Accrued interest and dividends	514	477
Inventory	562	634
Investments, at fair value	251,199	231,927
Land, buildings and equipment-net	11,358	11,968
Other assets	616	305
TOTAL ASSETS	\$302,091	\$280,208
LIABILITIES		
Accounts payable and accrued expenses	\$ 3,157	\$ 3,101
Accrued compensated leave	1,685	1,614
Accrued post-retirement benefits	4,620	4,530
Note payable	194	650
Deferred revenue	550	574
TOTAL LIABILITIES	10,206	10,469
NET ASSETS		
Unrestricted	203,883	186,944
Temporarily restricted	40,238	34,543
Permanently restricted	47,764	48,252
Total Net Assets	291,885	269,739
TOTAL LIABILITIES AND NET ASSETS	\$302,091	\$280,208

Notes:

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



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