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BROOKINGS

Annual Report 2009

BROOKINGS

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PHOTO BY PAUL MORIGI

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Metropolitan Policy When President Obama launched a historic fiscal experiment this year by delivering \$787 billion to revive America’s economy, Metropolitan Policy experts deployed a comprehensive strategy to invigorate the nation’s metropolitan areas, major sources of national prosperity.

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Governance and Renewal Gearing up for a post-crisis “renewal” effort, Brookings’s leadership, scholars and Trustees drafted the next phase of the Institution’s strategic plan—*Governance and Renewal*—to encompass the multidimensional nature of Brookings’s research agenda as it prepares for its second century.

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Support for Brookings Brookings’s donors have helped the Institution weather an uneven political landscape and a traumatized national economy. Support from donors ensures that Brookings maintains a high level of quality and independence in its research and its policy suggestions.

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Cover Photograph: Cameron Davidson



Chairman's Message

Turbulent times heighten the need for sound, forward-looking ideas from independent institutions like ours. That is why we see this as a “Brookings moment”—on a par with other pivotal moments in our nation’s history where our research helped guide the nation and the world.

Today we face a daunting mix of political, economic and national security challenges that go from the local to the national to the global and back again. These challenges require what we call an “All-Brookings” effort, drawing on the talents, energies and expertise of all five of our research programs.

Brookings scholars have dealt with the “Great Recession” in this broad historical and multidimensional context. Drawing lessons from the past and analyzing events as they unfolded, they have developed a vision, not just for recovery from the crisis, but for renewal after it is over.

As markets gyrated and major institutions staggered to—and sometimes over—the brink, our experts developed recommendations for the fiscal and monetary stimulus plans. When the banking and automotive sectors needed massive bailouts, the Brookings auditorium, conference rooms and Web site served as platforms for lucid explanation of the problems and pragmatic, innovative solutions. Officials in the executive and legislative branches, as well as policy-makers from abroad and from state and local governments across the United States, turned to our scholars for advice.

As the response to the crisis moved from economic stimulus to regulatory reform, Brookings remained at the fore. Our experts examined how the crisis had spread from housing to the financial markets; then to the global economy.

They probed issues ranging from the role of cities and regions in economic growth to the national security implications of falling oil prices.

As the Obama administration staffed up, more than 20 of our scholars went into key jobs. Meanwhile, some distinguished public servants joined our staff, including in leadership positions. The revolving door between think tanks and the halls of power has always been a feature of the way Washington works—enabling government and NGOs to constantly refresh each other, to the benefit of both.

My fellow Trustees provided critical contributions as well—on both sides of that revolving door. Several went into the administration, while others made their own fresh ideas available to policy-makers, the public and, of course, to Brookings. Glenn Hutchins drew wide acclaim for his sweeping, comprehensive assessment of the Panic of 2008, and Liaquat Ahamed published a critically acclaimed best seller, *The Lords of Finance*, the story of the great panic of 1928 and a cautionary tale for how not to deal with a financial meltdown.

As we approach our centenary and update the Institution’s Strategic Plan, which will carry us into our second century in 2016, we are thinking hard about a post-crisis America and a recovering world. We plan to highlight themes such as growth, innovation, opportunity, better governance and responsible stewardship of our planet.

In translating that plan into projects and products over the months and years to come, we will maintain our commitment to quality, independence and impact, which constitute both a legacy to protect and watchwords for the future. We will also continue to make the most of the breadth and depth of our five research programs, and we will build on our network of partnerships with kindred institutions around the country and the globe.

In short, this Brookings moment will prepare us for our second century, and we count on your continuing support in helping us live up to the opportunities and obligations.



PHOTO BY KATHERINE LAMBERT

A handwritten signature in blue ink that reads "John L. Thornton".

John L. Thornton, Brookings Chairman

President's Message

Each of my eight years at Brookings has been exhilarating and challenging in its own way, but the one drawing to a close has been uniquely so. I’m sure that my predecessors felt that way about seismic events during their own tenures. Certainly America’s entry into World War I so qualified, as did the Great Depression, World War II, the beginning—and the end—of the Cold War and, more recently, 9/11 and its aftermath in Afghanistan and Iraq.

But I’d still contend that never in the 93 years of the Institution’s existence has there been an array of world-class problems, domestic and foreign, as kaleidoscopically varied, complex and urgent as what we’ve experienced in this year. And virtually all of those problems cry out for solutions of the sort that is our stock and trade. Hence John Thornton’s description of these turbulent times as a “Brookings moment.”

The task, as we look ahead, is to harness the energy and momentum we’ve demonstrated over the past year and play them forward.

At the core of our ability to do so are our scholars. So many of them have gone into the administration that Secretary of State Hillary Clinton, in a speech in our Falk Auditorium, described it (with a smile) as a “decimation.” I prefer to think of it as a donation to public service—and as yet another indicator of our impact on policy-making.

But there’s no question that all those departures have confronted us with yet another challenge: strategic replenishment of our ranks. While Larry Summers, Peter Orszag, Doug Elmendorf and other former colleagues and Trustees are going to work these days in the White House and the U.S.

Capitol, our Economic Studies program is now in the capable hands of its new co-directors: Karen Dynan, most recently a senior advisor at the Federal Reserve Board, and Ted Gayer, lately an associate professor at Georgetown University’s Public Policy Institute.

Since the world economy has been shaken by a crisis that had its epicenter on Wall Street, it is equally important that we still have the strongest possible leadership of our Global Economy and Development program. When its founding director Lael Brainard moved to a key post at the Treasury Department, she passed the baton to Kemal Dervis, a former director of an international program at the World Bank, finance minister of Turkey, and most recently, the administrator of the United Nations Development Program.

The creation of the United Nations is part of Brookings legacy. In my office on Massachusetts Avenue, I have a portrait of Leo Pasvolksy, a Polish immigrant who became a Brookings economist in 1922 and went on to play an instrumental role in translating Franklin Roosevelt’s vision of a world body into the organization on the banks of New York City’s East River. How proud he would be to have our Senior Fellow Susan Rice join President Obama’s cabinet as U.S. Permanent Representative to the UN.

During the summer, Carlos Pascual, whose spearheading of our Managing Global Insecurity project helped move us toward our goal of being a global think tank, became U.S. Ambassador to Mexico. Carlos’s successor as vice president and director of Foreign Policy is Martin Indyk, the founder of our Saban Center on Middle East Policy.

The year also included affirmations that our reputation matches our ambition. Once again, we’ve been ranked as the world’s most-influential, most-quoted and most-trusted think tank. One of many innovations is a new index that helps answer, by means of wide-ranging benchmarks, the question of “How We’re Doing” in economic recovery and national—and international—security. It premiered in July in the *Washington Post* and will be updated on a quarterly basis. It’s an all-hands-on-deck effort, and a metaphor for our enterprise as a whole: continuity of standards, collaboration supplementing outstanding individual research and adaptation to a rapidly changing world.



PHOTO BY KATHERINE LAMBERT

A handwritten signature in blue ink that reads "Strobe Talbott".

Strobe Talbott, Brookings President

Economic Studies

Research to guide the nation on the road to recovery



The \$700 billion question in October 2008 is the fate of the economic rescue package. Senior Fellow Alice Rivlin says that the package will not solve the whole problem and that some financial institutions will fail. Senior Fellow Thomas Mann (right) moderates the discussion that includes Guest Scholar and former Republican Member of Congress William Frenzel.

PHOTO BY PAUL MORIGI

With questions swirling in March 2009 on the inevitability of some financial firms being “too big to fail,” former Federal Reserve Chairman Alan Greenspan calls this premise “the most intractable problem in the next structure of financial regulation.” Brookings Senior Fellow Martin Baily (right), Bernard L. Schwartz Chair in Economic Policy Development, moderates a panel with Greenspan following a presentation by Minneapolis Federal Reserve President Gary H. Stern and Vice President Ron J. Feldman, authors of the prescient book *Too Big to Fail: The Hazards of Bank Bailouts* (Brookings Institution Press, 2004; revised paperback, 2009).

PHOTO BY PAUL MORIGI



PHOTO BY RALPH ALSWANG

The economics of health care reform require lowering the costs of care without reducing the quality of care. Director of the Office of Management and Budget Peter Orszag (left) and former Secretary of the Treasury Robert E. Rubin confer before speaking at a June 9 forum on comparative effectiveness research to streamline the health system.

The “Great Recession” occurred amid meltdowns in housing and financial markets, rising unemployment and growing fiscal shortfalls. Policy-makers responded with financial bail-outs and an ambitious economic stimulus package, and also took steps to tackle financial reform, global warming and health care. The Economic Studies program helped set this agenda and shape the subsequent debates with a steady stream of analysis and recommendations.

“It was a terrifying but exciting year to be an economist,” said William Gale, the Arjay and Frances Fearing Miller Chair in Federal Economic Policy, who served as vice president and director of Economic Studies until September 2009. “Our expertise and ingenuity were tested as the economy took a historic nose dive.”

Shortly after the collapse of Lehman Brothers, Douglas Elmendorf, the Edward M. Bernstein Scholar and director of the Hamilton Project, was one of the first experts to call for the Treasury Department to make equity investments in financial institutions—a plan followed by both the Bush and Obama administrations.

Later, as part of a long Brookings tradition of “lending” experts to government, Elmendorf moved to Capitol Hill to take the helm at the Congressional Budget Office. Elmendorf’s two predecessors at the Hamilton Project—Peter Orszag and Jason Furman—also assumed major government posts: Orszag as head of the Office of Management and Budget; Furman as deputy director of the National Economic Council.

In the midst of a severe economic downturn, these new government officials have had no

shortage of advice from their former colleagues at Brookings. The Initiative on Business and Public Policy was notably productive in generating recommendations on one of the central imperatives of the day: fixing finance. Senior Fellows Martin Baily and Robert Litan wrote a series of papers on the topic—much of which foreshadowed the financial overhaul unveiled by President Obama in June. Led by Baily, the Bernard L. Schwartz Chair in Economic Policy Development, the Business Initiative gained visibility with continual forums throughout year. Its impact was seen in requests to testify on Capitol Hill, private briefings with more than a dozen members of Congress and interaction with Treasury officials.

Douglas Elliott, an investment banker for two decades and a policy analyst, joined the program this year as a fellow. Barely in the Brookings door, Elliott penned a dozen commentaries to clarify technical issues related to the Troubled Asset Relief Program (TARP) and other support to the banking system. As Congress wrestled with the president’s financial overhaul plan, Elliott—quoted often in the press—called the proposal “generally quite sensible” despite falling short on the consolidation of regulatory functions into fewer hands.

New Vice President Karen Dynan, the Robert S. Kerr Senior Fellow, who took over Economic Studies on September 1, brought considerable expertise from serving as a senior adviser at the Federal Reserve Board. Ted Gayer, a former professor at Georgetown University and a member of the Treasury Department under President George W. Bush, joined at the same time to serve as co-director and the Joseph A. Pechman Senior Fellow.

For almost four decades, the



PHOTO BY SHARON FARMER

For the first time in history, the world’s largest economy is also its largest debtor. On July 8, Center for Children and Families Co-Directors Ron Haskins and Isabel Sawhill examine the policy decisions that precipitated this situation and evaluate some potential attempts at triage.

Brookings Papers on Economic Activity has been a leader in emphasizing policy-oriented, empirical research in macroeconomics. Doug Elmendorf, Gregory Mankiv and Lawrence H. Summers convened a critical meeting in September 2008 that laid the groundwork for important recovery and long-term reform initiatives. After Elmendorf and Summers stepped down to assume top government posts, they were replaced by David Romer of the University of California and Justin Wolfers of the University of Pennsylvania.

Health care reform often pitted budget issues against social goals. Senior Fellow Mark McClellan offered a balanced approach, focusing on how to make health care dollars more productive. As the Leonard D. Schaeffer Chair in Health Policy Studies and director of the Engelberg Center for Health Care Reform, McClellan oversaw major efforts to develop better measures of health care quality and cost.

Other Economic Studies scholars also contributed health care expertise. Senior Fellows Alice Rivlin and Henry Aaron, the Bruce and Virginia MacLaury Chair, both

lent considerable perspective, especially on Medicare—the elephant in the room throughout the debate. Center on Social and Economic Dynamics Director Joshua Epstein and his team used agent-based modeling to guide policy-makers on ways to contain this year’s H1N1 flu epidemic.

The Center on Children and Families, led by Senior Fellows Ron Haskins and Isabel V. Sawhill, the Cabot Family Chair, examined ways to alleviate inequality in the United States by holding forums throughout the year on such topics as healthy marriage programs, juvenile justice and the future of middle-skill jobs. Haskins and Sawhill also completed a book, *Creating an Opportunity Society* (Brookings Institution Press, 2009).

William Gale concentrated on simplifying the tax system as co-director of the Tax Policy Center—a joint venture of Brookings and the Urban Institute. His Retirement Security Project promoted the creation of an automatic IRA, a refundable Saver’s Credit and other common-sense solutions. Elements of this agenda were incorporated into the president’s budget outline and into bipartisan bills. ■



PHOTO BY RALPH ALSWANG

As President Obama calls on Congress to pass health care reform as a social and an economic imperative, Engelberg Center for Health Care Reform Director Mark McClellan welcomes Council of Economic Advisers Chair Christina Romer to Brookings on June 2. They joined former Congressional Budget Office Director Douglas Holtz-Eakin and Harvard economist David Cutler to discuss new CEA findings on the economic case for health reform.

The man in the middle of the TARP—Assistant Treasury Secretary Neel Kashkari—addresses a Brookings audience in January on the new Office of Financial Stability, which is charged with implementing the Troubled Asset Relief Program.



PHOTO BY PAUL MORIGI

New Brookings Vice President Karen Dynan, formerly a senior adviser at the Federal Reserve Board, pauses outside Brookings to chat with Ted Gayer, an associate professor at Georgetown University. In a first-ever tandem arrangement, President Strobe Talbott announced that Dynan and Gayer will serve as co-directors of Economic Studies.



PHOTO BY PAUL MORIGI

Global Economy and Development

Innovative solutions to manage globalization and fight poverty



As the financial crisis continues to affect markets all over the world, the International Monetary Fund moves increasingly to the forefront of global policy discussions. This prominence has sparked calls for reforms to ensure that the Fund can play a lead role in facilitating coordinated economic policies and in providing precautionary finance. An April 24 panel moderated by Vice President and Director of Global Economy and Development Kemal Derviş addressed suggestions for more efficient governance within the IMF. Background: George Soros of the Open Society Institute

PHOTO BY SHARON FARMER



PHOTO BY RALPH ALSWANG

Reducing climate change, a top priority for the Obama administration, roiled into major congressional debate by June. Fellow Adele Morris outlines a forthcoming report on the economic impact of climate change reduction strategies in a panel that includes co-authors and Nonresident Senior Fellows Peter Wilcoxon (far left) and Warwick McKibbin. David Goldston (far right), columnist for *Nature*, moderates.



PHOTO BY SHARON FARMER

The Latin America Initiative conducted numerous events and hosted Chilean President Michelle Bachelet (pictured here) as well as former President of Mexico Ernesto Zedillo and President Álvaro Uribe Vélez of Colombia.

As the global economic recession became the epicenter of all public policy this year, the Global Economy and Development program was ready for action, with a research agenda centered squarely on coordinated economic stimulus, global financial regulation, reform of the international financial institutions and development assistance.

"We've worked to bring these global issues into sharper relief as Washington explores new ways of working with the world on economic recovery, the rise of new powers and the need to prevent the crisis from causing a huge setback in the fight against global poverty," said Kemal Derviş, who became vice president and director of Global in March.

Derviş, also the Edward M. Bernstein Scholar, had been administrator of the United Nations Development Program. Lael Brainard, who with Strobe Talbott launched the Global program in 2006, left to join the Department of the Treasury.

As a convener for intellectual debate, Global this year attracted such notable individuals as Dominique Strauss-Kahn, the managing director of the International Monetary Fund; Trevor Manuel, then South Africa's minister of finance; Michael Froman, U.S. deputy national security adviser for international economic affairs; and British Prime Minister Gordon Brown, who attended a private discussion hosted by Brookings in London in advance of the London G-20 Summit.

Senior Fellow Eswar Prasad, the New Century Chair in International Trade and Economics, led the program's global macroeconomic research by tracking

the composition of the proposed stimulus plans of G-20 countries and by analyzing the likely policy impacts. Prasad's online tracking tool and commentary was cited by numerous media organizations, including a prominent reference in *The Washington Post*.

Global's new Africa Growth Initiative, launched in September 2008, reinforced that the time has come for Africa's voice to be amplified in the global policy debates. Mwangi S. Kimenyi, founding executive director of the Kenya Institute for Public Policy Research and Analysis, became a senior fellow in May. He joined Senior Fellow John Page—formerly chief economist for Africa at the World Bank—on policy efforts to support African growth and development.

Global's *Top 10 Global Economic Challenges Facing America's 44th President* suggested that America could become a stronger and steadier partner to Africa. Also detailed in the *Top 10* report were suggestions for restoring financial stability, setting the right green agenda, reimagining global trade and pursuing a positive agenda for the Middle East.

Mauricio Cárdenas continued to lead Brookings's Latin America Initiative. Using the opportunity of the U.S. presidential elections, Cárdenas and his team convened the Partnership for the Americas Commission, which released a report in November that garnered considerable media and policy-maker attention throughout the Americas.

Daniel Kaufmann, a world-renowned expert and writer on governance, corruption and development, joined the Global program this year as a senior fellow.

Through this year of increasing global uncertainties, Nonresident Senior Fellow Wing Thyé Woo led

research efforts on the Chinese economy and, most critically, on China's economic relationship with the United States. He convened a number of high-level Chinese delegations jointly with U.S. partners on economic sustainability.

Surrounding the G-20 summits and gatherings of the international financial institutions, Senior Fellow Homi Kharas recommended how organizations and countries could speed the flow of aid dollars already committed and not jeopardized by the crisis. His work on aid volatility was widely cited by development practitioners and leaders across the globe.

The Middle East Youth Initiative, a joint partnership between the Wolfensohn Center for Development and the Dubai School of Government, continued its groundbreaking work on the economic implications of youth exclusion in the Middle East, but expanded its focus to

include likely impacts and policy responses following the financial crisis.

In July, Brookings launched the Center for Universal Education, an initiative that will develop and disseminate effective solutions to the challenge of achieving universal quality education. Led by new Senior Fellow Jacques van der Gaag, with Fellows Rebecca Winthrop and David Gartner, the center will focus on the provision of quality, universal basic education to the world's poorest children.

Also in July, at the sixth annual Brookings Blum Roundtable in Aspen, Colo., 40 leading experts met to develop strategies and policy recommendations for tackling climate change in the midst of the downturn. Led by Derviş and co-chaired by Brookings President Strobe Talbott and Trustee Richard C. Blum, participants focused on the world's least-developed countries. ■

Our growing and gathering challenges call for quick calibration, urges Sen. John Kerry (D-Mass.) at a May 21 forum. He addresses the need for modernizing U.S. foreign assistance to increase the effectiveness of U.S. development and reconstruction efforts around the globe.



PHOTO BY RALPH ALSWANG



PHOTO BY SHARON FARMER

Brookings teamed with the Clinton Global Initiative in May to host a discussion on corporate philanthropy and social responsibility. Former President Bill Clinton describes how some companies have integrated "doing good" into their core practices. Muhtar Kent, chairman and CEO of the Coca-Cola Co., offers his firm's philosophy on sustaining its markets.

On the eve of the G-20 Summit in London, Senior Fellow Eswar Prasad (center left) posits the importance of buffering emerging markets from the financial crisis. Prasad is joined at the April forum by Wolfensohn Center Director and Senior Fellow Johannes Linn (far left), Global Economy and Development Vice President and Director Kemal Derviş and Brookings Managing Director William Antholis (far right).



PHOTO BY RALPH ALSWANG



PHOTO BY ALEX IRVIN

Ernest Aryeetey, senior fellow and director of the Africa Growth Initiative, participates in the annual Brookings Blum Roundtable in July. Each year's roundtable focuses on research and initiatives to alleviate global poverty.

Foreign Policy

Pragmatic recommendations firmly rooted in sound study



Martin Indyk appears with Quartet Middle East Envoy Tony Blair at the Saban Forum in December to discuss the Middle East peace process. Indyk (left), then-director of the Saban Center for Middle East Policy, became vice president and director of the Foreign Policy program in August 2009.

PHOTO BY RALPH ALSWANG



Kenneth G. Lieberthal, director of the John L. Thornton China Center, talks with students at Tsinghua University in February after presenting his new report on improving U.S.-China cooperation on climate change.

PHOTO BY HOU XIAOJUN



Carlos Pascual, now U.S. Ambassador to Mexico, joins President Barack Obama on a state visit to Mexico, arriving with him in Guadalajara City. Pascual, formerly vice president and director of Foreign Policy, was one of several Foreign Policy scholars who joined the Obama administration.

PHOTO BY HENRY ROMERO/REUTERS

The historic convergence of a new government in Washington with the most severe global economic downturn since the Great Depression has generated major shifts in U.S. foreign policy. Through research, analysis and pragmatic policy recommendations, the Foreign Policy program was at the center of the policy debate through the year's milestones and deliberations in the United States and abroad.

One strong indicator of the program's impact was the move of several Brookings experts to senior positions in the National Security Council, the State Department and other U.S. government agencies. After three and a half years of stewardship, Carlos Pascual stepped down as vice president and director of Foreign Policy to become the new U.S. ambassador to Mexico.

Martin Indyk, who served as director of the Saban Center for Middle East Policy since its founding in 2002, took the helm of the program. Senior Fellow Kenneth M. Pollack replaced Indyk as director of the Saban Center.

"These administration appointments demonstrate our impact on U.S. foreign policy as our former colleagues assume leadership roles within the administration, taking the ideas they developed at Brookings with them," said Indyk.

Kenneth Lieberthal, a former presidential adviser, was named director of the John L. Thornton China Center, succeeding Jeffrey Bader, who moved to the White House. Now in its third year, the Thornton Center—as part of its mission to help U.S. and Chinese leaders—runs the Brookings-Tsinghua Center for Public Policy in Beijing.

Fiona Hill, a long-time senior fellow, returns to Brookings to direct the Center on the United States and Europe. Visiting Fellow Steven Pifer, a former ambassador to Ukraine, who ran the center this year, will head a new arms control and non-proliferation initiative. In November 2008, the center welcomed Turkish Prime Minister Recep Tayyip Erdogan for a discussion on revitalizing Turkish-American relations.

President Obama tapped Senior Fellow Bruce Riedel to co-chair an interagency review of U.S. policy toward Afghanistan and Pakistan and singled him out for his contribution during the culminating White House news conference.

On the numerous problems facing Afghan President Hamid Karzai's government, Sen. Joseph Lieberman (I-Conn.) talked at Brookings in January about how to turn the tide in that troubled country. Fellow Vanda Felbab-Brown traveled to Afghanistan to examine the illicit poppy trade. Karzai provided his own perspective in May, when he came to Brookings to discuss a new strategy for governance, institution-building and economic development.

President Obama also faced critical choices on Iraq. The Saban Center's Pollack this year was appointed as a member of the Joint Campaign Plan Assessment Team assembled to critique the new comprehensive American plan for Iraq. He and Senior Fellow Michael O'Hanlon, the Sydney Stein, Jr. Chair in International Security, served as special advisers to Gen. David Petraeus' CENTCOM assessment team, assisting in the development of theater-level strategies for war-torn areas. O'Hanlon also continued to produce the Iraq Index, which appears regularly in *The New York Times*, assessing conditions and



PHOTO BY RALPH ALSWANG

"Restoring the Balance: A New Middle East Strategy for the Next President, a report produced by Middle East experts from Brookings and the Council on Foreign Relations, was launched in January. Senior Fellows Tamara Cofman Wittes, Daniel Byman and Bruce Riedel listen as their recommendations are presented in the Falk Auditorium. Nonresident Senior Fellow Shibley Telhami, far right, contributed to the report.

U.S. policy in Iraq. A new Afghanistan Index, authored by Fellow Jeremy Shapiro, was also launched this year.

In Iran, millions of people headed to the polls on June 12 in a hotly contested presidential election. Although Mahmoud Ahmadinejad was proclaimed the landslide winner, accusations of widespread election fraud led to violent crackdowns on Iranians protesting the elections. Pollack and Saban Center Senior Fellow Suzanne Maloney launched the Iran Working Group in partnership with the U.S. Institute of Peace, which brought Iran experts to Washington for a series of policy discussions. Maloney's assessment of the evolving situation in Iran was followed closely on the Brookings Web site by those outside and inside the volatile country.

Now in its third year, the 21st Century Defense Initiative continued under the leadership of Senior Fellow Peter W. Singer, hosting all of the military service chiefs and many U.S. military commanders. Singer's book, *Wired for War: The Robotics Revolution and Conflict in*

the 21st Century (Penguin Press, 2009) became a mainstay on *The New York Times* bestseller list.

Ten years after the drafting of the Guiding Principles on Internal Displacement by the UN Commission on Human Rights, the Brookings-Bern Internally Displaced Persons project headed by Elizabeth Ferris continues to advocate for those who have lost their homes because of armed conflicts in the Middle East, Africa and other regions.

With U.S. national security and consumer fears on the upswing, the Energy Security Initiative contributed to the debate on energy alternatives. Senior Fellow David Sandalow organized a highly successful conference on plug-in technologies before joining the Department of Energy. As the world prepares for the climate conference in Copenhagen in December 2009, Brookings hosted several productive discussions with top officials and experts. Lieberthal issued a major report on U.S.-China cooperation on climate change, released in both Washington, D.C., and Beijing. ■

Senior Fellow Suzanne Maloney testifies before the House Committee on Foreign Affairs six weeks after the Iranian elections. Maloney recommends a policy of U.S. engagement. However, she warns, "there are no silver bullets with respect to Iran."



PHOTO BY TOM WILLIAMS



PHOTO BY LORE JEWELL/US. CENTRAL COMMAND

Iran has been at the center of U.S. national security concerns for three decades, yet contact with the traditionally combative nation has been sporadic and largely troubled. Over 150 participants, led by new Saban Center Director Kenneth Pollack (left); Gen. David Petraeus; and Ryan Crocker, former U.S. Ambassador to Iraq, met to discuss the June 12 election.



PHOTO BY PAUL MORIGI

Chairman of the Joint Chiefs of Staff Adm. Michael G. Mullen updates a Brookings audience in May on the changing face of global engagement. He is joined by new Foreign Policy Research Director Michael E. O'Hanlon, who holds the Sydney Stein, Jr. Chair in International Security.

Governance Studies

Practical ideas
for government's next generation



Darrell West, (right) vice president and director of Governance Studies, argues during a panel on the future of the news industry in May that the proliferation of online, user-generated content on sites such as YouTube and Twitter does not sound a death-knell for all that's fit to print. The other panelists are Sen. Ben Cardin (D-Md.), Aspen Institute's Walter Isaacson, and journalist Michael Kinsley. *Time's* Karen Tumulty moderated the discussion.

PHOTO BY PAUL MORIGI



PHOTO BY RALPH ALSWANG

Two former White House chiefs of staff, Kenneth Duberstein and Leon Panetta, engage in a lively discussion in November on President-elect Barack Obama's choice of Rahm Emanuel to fill their old office. Their talk was the first of 12 events to provide recommendations and advice to the incoming president. Darrell West presented the first "Memo to the President" on how to bring the polarized electorate together.

"Always take your wife's phone calls," the pros advise incoming White House Press Secretary Robert Gibbs. Veteran press secretaries Mike McCurry (left) and Dana Perino discuss Gibbs' demanding new job with presidential scholar Stephen Hess prior to a Brookings panel discussion in December.



PHOTO BY RALPH ALSWANG

Crisis call for cool-headed narratives, whether on governance during a recession or a detention system after the closing of Guantánamo Bay. Collectively, scholars in the Governance Studies program bring intellect, measured assessments and a keen sense of history to the pressing need to reform a fractured political system.

"If it is on the minds of decision makers, it is on our agenda," said Darrell West, vice president and director of Governance Studies. "As one might expect, the insights and observations of our experts have been much in demand this year by both domestic and international news media."

A hallmark of the program has always been original thought, conveyed through numerous Governing Ideas and Judicial Issues Forums and published frequently in *Issues in Governance Studies* papers. Topics this year ranged from the dearth of women running for public office to how to create a brighter future for the news industry.

One hundred days into the Obama administration, West initiated the "GovWatch" monitor of presidential and congressional job approval, trust in government, public satisfaction, political polarization and much more. Unlike other evaluative sources at the 100-day mark, GovWatch put Obama's popularity in historical perspective. For all the chief executives, from Dwight Eisenhower to Obama, the average job approval is 64 percent. Obama's 62 percent approval rating on April 29 put him in the middle of the pack.

GovWatch enjoyed almost

instantaneous popularity. In the first two months of tracking the new government, the various online interactive charts received thousands of page views.

One campaign promise was quickly reaffirmed—the closing of the Guantánamo Bay detention camp in Cuba—raising many thorny issues, masterfully tackled by Senior Fellow and Research Director in Public Law Benjamin Wittes. At a Judicial Issues Forum in March, Wittes and other experts provided an overview of the questions confounding President Obama and his national security team—such as what to do with the 240-some detainees at Guantánamo.

As the national security debate continued, another question became whether the president provided enough specifics for lawmakers to accede to his requests. There are no easy options for closing the prison camp at Guantánamo Bay, Wittes said. As commander in chief, Obama must weigh all risks to Americans. When the vow to close the detention camp by the president's January 2010 deadline pressured the administration to craft a new system for incarcerating terrorist suspects, Wittes and co-author Colleen A. Peppard, in a timely Governance Studies paper, suggested instead a model law for terrorist incapacitation.

A Wittes-edited volume, *Legislating the War on Terror: An Agenda for Reform* (Brookings Institution Press, 2009) showcased an authoritative lineup of legal experts and former government officials to present an agenda for reforming the statutory law governing this new battle, balancing the need for security, the rule of law and the constitutional rights of freedom.

Grover "Russ" Whitehurst,



PHOTO BY PAUL MORIGI

Managing Director William Antholis (left) and Fellow Vanda Felbab-Brown join *Politico's* Senior Political Reporter Mike Allen, who moderates a panel on President Obama's first 100 days in office.

former director of the Institute of Education Sciences in the U.S. Department of Education, joined Governance Studies in January 2009 as the new director of the Brown Center on Education Policy. The center provided recommendations on how the new administration should evaluate the success of programs funded by the \$650 million Innovation Fund established by the American Recovery and Reinvestment Act of 2009. In May, the center hosted Education Secretary Arne Duncan for a conversation on the billions of dollars of economic stimulus aid targeted for education.

On judicial issues, scholars also kept kaleidoscope trends in perspective. Senior Fellow William A. Galston, the Ezra K. Zilkha Chair in Governance Studies, and Visiting Fellow Russell R. Wheeler were among the first to describe the historic nomination of Sonia Sotomayor to replace retiring Justice David Souter. While Democrats were united and Hispanics were

thrilled, most Republicans were treading cautiously, Galston wrote.

Supreme Court justices aside, many court picks tend to lag. Senior Fellow Sarah Binder proposed judicial selection reforms with an eye to encouraging greater efficiency and accountability in the practice of advice and consent.

Online tools dramatically changed the 2008 presidential election. Logically, government officials hoped to bring the benefits of information technology to its major policy goal: reforming health care. In *Digital Medicine: Health Care in the Internet Era* (Brookings Institution Press, 2009), West and co-author Edward Miller investigated the barriers to having digital technology remake health care. Governance Studies also held two events this year to focus on the central role of new technology in transitioning to a health care system that could reduce health care costs while expanding coverage. ■



PHOTO BY RALPH ALSWANG

Terry Edmonds (right), who crafted words for President Bill Clinton, joins Darrell West to discuss presidential speechwriting. Elaborating before a Brookings audience, Edmonds, now an associate vice president at Columbia University, says that the historic election conjures the words of Langston Hughes: "Let America be America again."



Senior Fellow Sarah Binder says in this online video that the nation's economic crisis provides a prism for viewing how the Congress has interacted with the executive branch.

Education Secretary Arne Duncan (right) confers with Brown Center on Education Policy Director Grover "Russ" Whitehurst prior to a May 11 forum on proposed educational reforms. Bolstered by the almost \$8 billion in stimulus funds that the administration pledged to revamp the education system, Duncan promises to reward states that are driving reform.



PHOTO BY PAUL MORIGI

Metropolitan Policy

Remapping America's political and economic landscape



Bruce Katz, vice president and founding director of Metropolitan Policy, answers reporters' questions at a January 12 presidential transition event after presenting a "Memo to the President." He argues that investments in infrastructure can enhance national prosperity—especially in metropolitan areas, where the bulk of our population lives and most jobs are located.

PHOTO BY PAUL MORIGI



U.S. Secretary of Housing and Urban Development Shaun Donovan introduces a new Choice Neighborhoods funding proposal at a Brookings forum at the National Press Club. Donovan says the new initiative will help public, private and nonprofit partners extend neighborhood transformation efforts beyond public housing.

PHOTO BY PAUL MORIGI



Visiting Fellow Christopher B. Leinberger discusses development trends with Rep. Donna F. Edwards (D-Md.) after an event that urged smart investments in infrastructure and innovation to boost short- and long-term recovery.

PHOTO BY PAUL MORIGI

When President Obama launched a historic fiscal experiment this year by delivering \$787 billion to revive America's economy, Metropolitan Policy Program experts deployed a strategic blueprint to invigorate the nation's metropolitan areas, major sources of national prosperity. No other research group so thoroughly incorporated the nation's regional diversity into proposals for renewal.

"The global economic crisis has only heightened the importance of getting this federal-metro partnership right," said Bruce Katz, vice president and founding director of the Metro program and the Adeline M. and Alfred I. Johnson Chair in Urban and Metropolitan Policy. "When our metro economies recover, so will the nation."

To track recovery, the program launched the quarterly MetroMonitor, an interactive barometer of the health of America's metropolitan economies. The inaugural edition in June, cited widely in regional and national media, was viewed on the Brookings Web site over 34,000 times in its first two weeks. Senior Fellow Alan Berube, the program's research director, noted how getting beneath the veneer of national figures revealed varied signs of recovery and distress, suggesting that the stimulus bill might not be enough to ensure a truly national rising economic tide.

MetroMonitor defined, for the first time, two distinct "manufacturing belts." Its examination of first-quarter 2009 indicators for the nation's 100 largest metropolitan areas underscored the decline of Midwestern areas dependent

on the auto industry and its supply chain. Fellow Howard Wial, co-author of the MetroMonitor, had earlier mapped the economic impact of restructuring Detroit's Big Three automakers. His timely research ensured that Metro analysis figured into the national debate on emergency loans and bailouts. Wial substantiated how the regional economies of 50 metropolitan areas, mostly in the Great Lakes region, depended on the jobs and incomes generated by General Motors, Ford, Chrysler and their suppliers.

Berube and Wial found that the less auto-oriented manufacturing sectors in the Northeast— aerospace in Hartford, Conn., photonics in Rochester, N.Y., and plastics in Scranton, Pa.— insulated those areas from heavy job losses and deflated housing prices. Likewise, they demonstrated in considerable detail how deeply real estate-dependent regions such as Arizona, inland California, Florida and Nevada succumbed to the broader housing fallout; but specializations in energy and government cushioned areas in Arkansas, Louisiana, New Mexico, Oklahoma and Texas. In short, Berube and Wial broadly communicated, a full recovery would require more targeted assistance.

Metro experts played pivotal roles this year by offering regional perspectives on major national concerns. The debate on climate change legislation, for instance, incorporated the push for energy innovation hubs spearheaded in December by a Blueprint for American Prosperity report. Fellow Mark Muro, the program's policy director, with leaders in industry and research, detailed a national network of regionally based energy discovery-innovation institutes (e-DIIs) to produce



Over 500 people attend the launch of a Blueprint for American Prosperity report in February on energy discovery-innovation institutes at the National Press Club. Sen. Sherrod Brown (D-Ohio) delivers remarks. Shown seated, left to right: University of Michigan President Emeritus James Duderstadt, Ohio State University President Gordon Gee and Arizona State University President Michael Crow.

the next generation of alternative energy.

Senior Fellow Robert Puentes headed up the metropolitan infrastructure initiative, which took big strides this year to integrate reform of our nation's infrastructure and transportation policies with the goal of creating livable communities. America's driving footprint continued to shrink even as gas prices dropped, Puentes and research analyst Adie Tomer illustrated in a first-ever ranking of the vehicle miles driven in the top 100 metropolitan areas.

A two-day tour of Gulf Coast recovery efforts in February gave two members of the president's cabinet—Janet Napolitano and Shaun Donovan—a firsthand look at what's been done to rebuild after Katrina. At the same time, Amy Liu, deputy director of Metro, urged a congressional homeland security panel to create a White House-based Office of Disaster Recovery. She said that "the federal government has a shared stake in recovery success and therefore must be a proactive partner with states and localities by giving them the tools and flexibilities to succeed."

In April, Metro released a report that defined what "job sprawl" means for the health and productivity of metropolitan areas

across the country. The region-specific analysis was interpreted by nearly 100 different regional journalists, but all delivering the same message: Job sprawl undermines the economic health of cities and regions by boosting energy consumption, adding to building costs, increasing commuting times and isolating low-income and minority workers in the urban core from employment opportunities in the outlying areas.

As debate slowly simmered on a new federal immigration policy, Senior Fellow Audrey Singer helped to create a new *Brookings Immigration Series* that offers fresh perspective and new data on how communities have felt the influx of foreign-born residents.

Bruce Katz returned in April from several months "on loan" to President Obama's transition. He zeroed in on what he considered a rare opportunity to orchestrate a generational shift in federal housing policy. "Crisis begets innovation," he told participants at a housing conference in June. Among other things, he recommended structural changes in the tax code, new regulatory institutions at the federal level, systematic reforms to energy and transportation policies and a revitalized delivery system at the state, metropolitan and local levels. ■



Barack Obama's first 100 days in office saw the passage of a massive stimulus package. At a forum on Obama's 101st day, Deputy Director of Metropolitan Policy Amy Liu argues that the definitive measure of Obama's economic success will be the recovery of cities and jobs, with more flexible federal funding. Liu is joined by *Politico* Editor in Chief John Harris and Brookings Senior Fellow William Gale.



Community colleges serve almost half of higher education students but receive far less attention than prominent four-year universities. At a June 7 event, Cecilia Rouse, a member of the White House Council of Economic Advisers, emphasizes the importance of these community-based institutions of higher learning.

Metropolitan areas that straddle the U.S.-Canadian border represent a unique challenge for border policy in the future. The solution, according to Secretary of Homeland Security Janet Napolitano, is to create a technologically advanced border infrastructure that allows for convenient access while still maintaining a high level of security. At a March forum, *Toward a Better Border*, Secretary Napolitano presented the keynote address.

Governance and Renewal:

A Brookings Moment

September 2008 will be remembered as the month that an American financial crisis rocked the global economy. In the course of the ensuing year—which featured a historic presidential election and a transition to a new administration and Congress—recovery from the recession presented an opportunity for renewal. As Brookings has learned from other pivotal moments in its history, crises can create a powerful incentive for innovations and institutional reforms.

“The challenge going forward,” said William J. Antholis, Brookings managing director, “is to ensure that the nation and the world don’t simply recover from the crisis, but that policies and institutions are renewed for a post-crisis world. This is where a Brookings contribution can be invaluable.”

Brookings experts responded early and fast to the deteriorating economy, dating back to the work of the Economic Studies program in helping to shape the first stimulus package in January 2008. Over the course of the next 18 months, Brookings scholars helped guide local, national and global recovery efforts. They accomplished this through research and publications, through high-profile public events, through behind-the-scenes work with administration and congressional policy-makers

and, eventually, by having a number of scholars move directly into government ranks.

Gearing up for a post-crisis renewal effort, Brookings has begun to draft the next phase of the Institution’s strategic plan. *Governance and Renewal* encompasses the multidimensional nature of Brookings’s research agenda. When released in early 2010, it will build on the 2007 Strategic Plan adopted by Brookings Trustees and will be driven by the Institution’s commitment to quality, independence and impact.

An early, high-visibility product—“How We’re Doing: A Composite Index of Global and National Trends”—premiered on July 26 on *The Washington Post*’s Sunday opinion page. A team of Brookings scholars established a baseline for future indexes by comparing the state of the nation and the world with conditions that prevailed early in the tenures of the past five presidents. Future indexes will track these items and others on a quarterly basis.

In April, released at a Brookings event on Obama’s first 100 days, Governance Studies initiated the online “GovWatch” monitor. Led by Darrell M. West, vice president and director of Governance Studies, experts compiled data going back several decades to help people understand what is happening today. Looking ahead, their governmental performance analysis will track whether the \$787 billion recovery and

reinvestment program can achieve its ambitious goals.

The MetroMonitor, an interactive barometer of the health of America’s metropolitan economies, looked “beneath the hood” of national economic statistics for the first time in June. Led by Alan Berube, senior fellow and research director of the Metropolitan Policy program, researchers examined local indicators through the first quarter of 2009 and found that, while no region of the country has been immune from the economic downturn, the pain is unevenly distributed. Cleverly displayed in a series of interactive maps on the Brookings Web site, the data suggested that recovery might be quite uneven as well, posing particular challenges for policy-makers focused on a national rising economic tide.

With the economy appearing to be stable in summer 2009, Vice President and Director of Economic Studies William Gale warned in a paper and at a July event that Congress and the new administration face a delicate balancing act between encouraging economic recovery and establishing budget sustainability. Imposing fiscal discipline before the recovery gains traction could weaken the recovery; fiscal discipline delayed too long could harm it. The strong policy response to the recession in the form of financial bailouts and the stimulus package has the United States headed down a path that, by 2019, would

push the debt-to-GDP ratio to 82 percent, Gale found.

Brookings economists and public policy experts also face the question of where growth will come from in a post-crisis economy. How to restore productivity-led growth becomes a driving question. Where is the next wave of innovative industries going to develop? What set of national and local economic policies are likely to foster innovation? Weighing these and other questions will forge the Institution’s strategy for growth.

Brookings economists are also keeping an eye on developments overseas. Numerous countries pledged to aggressively reinvigorate their economies to restore economic growth. To help decipher the stimulus plans in the G-20 countries, Senior Fellow Eswar Prasad in the Global Economy and Development program provided a detailed assessment that included the size of the fiscal stimulus packages as announced by government agencies and compiled by the International Monetary Fund. In March, Prasad examined the extent of the stimulus relative to the country’s GDP, the balance between spending and revenue measures and the speed with which the fiscal measures hit the ground. Global continues to monitor these developments to assess performance overseas, and to see if it is helping growth return to the United States. ■



On the campaign trail, candidate Barack Obama offers his views on rising costs and rising uncertainty and says that it is time for “Washington to put a little wind at the backs of the American people.”



As unemployment rose in the early months of 2009, White House National Economic Council Director Lawrence H. Summers explains the rationale behind the president’s recovery program and the strategy for long-term growth.

Pondering the future of hedge funds, Brookings Trustee Glenn Hutchins (left) and *Washington Post* columnist Sebastian Mallaby engage with the audience during a February forum. Hedge funds are an integral part of any solution to the larger economic problem, according to Hutchins, and will be vitally important to getting the nation out of this “mess.”



Lessons from the Great Depression The chair of the Council of Economic Advisers, Christina Romer, shares her views on the nation’s economic future, saying that “it’s the new policy-maker in me that wants to make it clear that we’re doing all that we can do to make sure that the word ‘great’ never applies to the current downturn.”

Impact and Change

Brookings is No. 1 among think tanks

The first comprehensive ranking of the world's top think tanks, based on a worldwide survey of scholars and experts, ranked the Brookings Institution No. 1 among think tanks. As published in the January/February issue of *Foreign Policy*, Brookings was also first "with the most impact on public policy debates."

Author James McGann divided the 5,500 think tanks worldwide, in nearly 170 countries, into policy-makers, partisans, phantoms, scholars and activists. Brookings was categorized among the scholars. "The stars of the think tank world," McGann wrote, "these power-houses of policy are regularly relied upon to set agendas and craft new initiatives."

Brookings's impact especially resounded in this presidential transition year. Transition-related activities began in cyberspace even before the election results were known, with the launch on November 3 of a multimedia Web page that included ideas, background materials and resources focusing on a dozen key challenges facing the president-elect.

During the 77 days from the election to the Inauguration, Brookings experts offered 12 "Memos to the President" on policy priorities, starting with governance and climate change and expanding across the spectrum of domestic and global challenges.

From the launch of the presidential transition project until the day that Barack Obama took occupancy of the White House, the multimedia presence on the Brookings Web site hit a popular chord with the broad public.

The transition e-newsletter, "The Transition Update," was also a great success, with subscribers steadily increasing throughout the life of the project. And the "Transition Tracker" podcast series notably raised the visibility of Brookings scholars' ideas.

In the course of the new president's early months in office, Brookings "donated" more than 20 scholars, Trustees, recent

alumni and affiliates to the White House, executive branch governments, diplomatic posts and Congress.

On the foreign policy front, Susan Rice, who spent eight years as a senior fellow, was quickly confirmed as a member of the cabinet and U.S. Permanent Representative to the United Nations. A few months later, Barack Obama sent Carlos Pascual, vice president and director of Foreign Policy, as ambassador to Mexico. Former Trustee Tom Donilon became deputy director of the National Security Council and Jeffrey A. Bader, director of the John L. Thornton China Center, followed as senior director of the NSC responsible for Asia.

Also "loaned" from Foreign Policy were Philip H. Gordon, now assistant secretary of State for European and Eurasian Affairs; Ivo H. Daalder, now U.S. Permanent Representative to the North Atlantic Council; David Sandalow, assistant secretary for policy and international affairs at the Department of Energy; Daniel Benjamin,

Secretary of State Hillary Clinton's counter-terrorism coordinator; and Vicki Huddleston, who joined the Defense Department as a deputy assistant secretary responsible for Africa.

Lawrence H. Summers—whose multiple associations with the Institution include service as a Trustee and co-editor of the *Brookings Papers on Economic Activity*—is chairman of the National Economic Council. His deputy at the NEC is Jason Furman, who was director of the Hamilton Project at Brookings. Peter Orszag, who left Brookings in 2007 to run the Congressional Budget Office, is now director of the Office of Management and Budget. Taking his place at the CBO is Douglas Elmendorf, who served many roles at Brookings in a short time, most notably as one of the first to truly explain the crisis in the credit and housing markets.

Rebecca M. Blank left in June to serve as undersecretary for economic affairs at the Commerce Department.

As the No. 1 think tank, the attention drawn to our transition memos—plus the quality and quantity of our government "loans"—stand as testament to the relevance and reputation of Brookings's work. As the global network grows more complex, and yet more close to home, a superb group of Brookings scholars continues their work on the new agenda facing the nation and the world. ■



Former Senior Fellow Susan Rice talks about foreign policy with the Brookings International Advisory Council and Board of Trustees. She is now a member of the cabinet and U.S. Permanent Representative to the United Nations.



As unemployment rose, attention turned to struggling families. Rebecca M. Blank, as the Robert S. Kerr Senior Fellow, suggested ways to improve the outdated poverty measure. She emphasized that, to understand the problems of poverty, it is important to accurately identify who is poor. Blank left Brookings in June to serve as undersecretary for economic affairs at the Commerce Department.

Executive Education

Executive Education at Brookings is about leadership. After celebrating 50 years of providing managers and executives with a better understanding of the U.S. system of government, Brookings formed an academic partnership with Washington University in St. Louis.

Starting July 1, Washington University's John M. Olin School of Business assumed management responsibilities for Brookings's executive education activities. Jackson A. Nickerson, the Frahm Family Professor of Organization and Strategy at the Olin Business School and a nonresident senior fellow at Brookings, became director of the new executive education initiative.

The new collaboration between Brookings and Washington University could be considered a reunion of old friends. Turn-of-the-20th-century St. Louis businessman Robert S. Brookings both founded the Institution and, as leader of Washington University's governing board for 33 years, laid the foundation for the school's ascent to academic prominence.

In 1917, President Woodrow Wilson appointed Brookings to the War Industries Board and later named him chairman of its Price Fixing Committee. Strobe Talbott commented—when the partnership was sealed in April—that the two institutions' common benefactor had helped a new president design a massive federal intervention in the markets and the economy. "The parallels to today are striking," he said, "and I know that together we will continue to advance his faith in independent, high-quality policy research and education."

"Our historic ties are the foundation for significant educational and scholarly programs," Washington University Chancellor Mark S. Wrighton echoed.

In the past year, more than 1,200 people from at least 145 different government organizations and the private sector have participated in executive education at Brookings. One of the premier programs remains the Legis Congressional Fellowships, which allows federal officials to spend seven to 12 months working in the office of a member of Congress or serving on the staff of a congressional committee.

At any one time, there are approximately 40 Legis fellows on Capitol Hill serving in legislative assistant capacities and learning the policy-making process from the inside: drafting legislation, briefing congressmen and senators, serving as a constituent liaison, planning and participating in committee hearings and more. The Legis program will continue unchanged in the new partnership.

Under the new agreement, Washington University and Brookings will also participate in a scholar-in-residence exchange program, and Washington University undergraduate and graduate students will have opportunities to become involved in Brookings programs.



Strobe Talbott, president of Brookings, with Washington University Chancellor Mark S. Wrighton.



Support for Brookings Donors provide essential resources to sustain excellence



PHOTO BY RALPH ALSWANG

Health care reform brought experts and policy-makers to Brookings on November 17—a testament to the generosity of Trustees Leonard D. Schaeffer (center) and Alfred B. Engelberg (far right), shown with Gail Engelberg, in establishing the Engelberg Center for Health Care Reform and the Leonard D. Schaeffer Chair in Health Policy Studies. Sen. Max Baucus (D-Mont.) (left) gave the opening remarks on political prospects and priorities for reform.



PHOTO BY STEVEN PURCELL

Brookings Chairman of the Board John L. Thornton (far right) discusses the U.S.-China relationship on climate change and clean energy with Speaker of the House Nancy Pelosi. Senior Fellow E.J. Dionne (far left) had moderated a board lunch with the speaker that included President Strobe Talbott (center).



PHOTO BY STEVEN PURCELL

At the June Board of Trustees meeting, former U.S. Secretary of State Henry Kissinger discusses President Obama's Cairo speech with Trustee Andrew H. Tisch, co-chairman of the board of Loews Corp. Kissinger had a cautiously favorable reaction to the speech. Trustees Ann M. Fudge and Glenn H. Hutchins also converse.

Through a tumultuous year of change and uncertainty, the generous support of Brookings donors built an ever-stronger institutional base. Coming amid a shifting political landscape and bearing the weight of the worst economic downturn since the Great Depression, that support helped Brookings provide an essential forum to elucidate the most crucial issues of the day, from a dialogue with Sen. Max Baucus (D-Mont.) on health care policy options in November 2008 to informative lunches in June with Dr. Henry Kissinger and House Speaker Nancy Pelosi (D-Calif.). President of the Republic of Costa Rica Oscar Arias Sanchez, winner of the 1987 Nobel Peace Prize, offered his global perspective as guest of honor at a dinner in Miami with members of the Board of Trustees and Brookings's guests. And, in a speech to Brookings Trustees and members of the International Advisory Council at a reception in June, UN Secretary-General Ban Ki-moon underscored the imperative of global solidarity in confronting the common concerns of our time.

One highlight of the year was the launch in September of the Africa Growth Initiative as part of the Global Economy and Development program. Established in part with a \$5.8 million grant from the Bill & Melinda Gates Foundation—one of Brookings's most generous foundation supporters—the initiative significantly expands the Institution's capacity and expertise on development policy in and toward Africa and is helping Brookings build stronger relationships with the African policy and research community.

"It is our hope that this initiative will allow us to establish a

vibrant global network of knowledge, ideas and policy programs through partnerships with African institutions, leaders and emerging experts," President Strobe Talbott said. "It is time for Africa's voice to be amplified in the global policy debates of our time, particularly as they relate to Africa's economic and development opportunities. Our goal is to help foster the intellectual and research base to aid this objective."

The Rockefeller Foundation made substantial investments in the work of Brookings experts this year, with seven grants totaling \$4.1 million, including almost \$1 million to support the Wolfensohn Center for Development's work on promoting rapid and inclusive growth in the urban areas of developing countries. The Foundation also provided crucial support to the annual Brookings Blum Roundtable on Global Poverty, which focused on how the world's poor will cope with climate change.

The Metropolitan Policy program also received substantial support from Rockefeller, including generous investments in the Metro program's infrastructure initiative, "State of the Nation's Metros" report and the Blueprint for American Prosperity Initiative. In addition, the Foundation supported two projects in Economic Studies: the Retirement Security Project's research on developing an automatic IRA to encourage savings and the Engelberg Center for Health Care Reform's work on improving health care systems in developing countries. Brookings is grateful for the generosity of the Rockefeller Foundation and its support for so many important projects.

Board of Trustees meetings through the year set the stage for



PHOTO BY RALPH ALSHWANG

During his last month in office, President Bush addresses the challenges facing U.S. foreign policy in the Middle East at the Saban Forum. Acknowledging both the failures and successes of his administration, the outgoing president notes that the "condescending view that the culture of the Middle East is unfit for freedom" has been dispelled.

understanding changing political and economic landscapes. The November gathering officially kicked off with a discussion on the 2008 election results that included Governance Studies Senior Fellows Thomas Mann, the W. Averell Harriman Chair in American Governance; and William Galston, the Ezra K. Zilkha Chair in Governance Studies. Several Brookings scholars who would go on to major government posts, including Douglas Elmendorf and Lael Brainard, briefed the Board on details of the economic crisis.

Implications of the new Obama administration for Latin America flavored the tone of the February Board of Trustees meeting in Miami. Experts including Mauricio Cárdenas, director of the Brookings Latin America Initiative, discussed the macroeconomic, trade and investment outlook for the region. Brookings experts also presented on potential changes within Cuba: its military,

intelligence service, general population and Afro-Cuban community and youth. Joining Carlos Pascual and Vicki Huddleston for the discussion were Jorge Piñón, international energy consultant and former President of Amoco Oil Latin America, and Jorge Dominguez, vice provost for international affairs at Harvard. Pascual later became ambassador to Mexico. Suzanne Nora Johnson, former vice chair of Goldman Sachs and a Brookings Trustee, joined Thomas F. McLarty—a former chief of staff to President Bill Clinton—for a panel on what the new president faces with the global financial crisis.

By the June Trustee meeting, the question had become "Panic '08: What Happened?" Among those who provided answers were Office of Management and Budget Director and former Brookings Senior Fellow Peter Orszag and Deputy National Security Advisor Michael Froman.

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Thomas C. Ramey, former chairman, Liberty International, Liberty Mutual Group and a Brookings Trustee, at the Brookings board meeting in Miami.



PHOTO BY JUAN E. CABRERA



PHOTO BY RALPH ALSHWANG

Trustee Suzanne Nora Johnson, former vice chairman of Goldman Sachs, offers her insights on the global implication of the U.S. market turmoil at the November Board of Trustees meeting in Washington.



PHOTO BY STEVEN PURCELL

Exploring themes of recovery and renewal in June, with briefings by budget and national security officials, captivates Trustees Alan M. Dachs (far left), president and CEO of Fremont Group; Philip H. Knight, chairman of Nike, Inc.; Brian Greenspun, chairman and CEO of the Greenspun Corp.; and International Advisory Council Member Pablo Gonzalez Guajardo, CEO of Kimberly-Clark de Mexico.



PHOTO BY JUAN E. CABRERA

At the February Board of Trustees meeting in Miami, Larry D. Thompson, a senior vice president for government affairs and general counsel at PepsiCo, Inc, offers insights on global markets, as Edgar Rios (left), co-founder and managing director of Wenzel Capital Partners, listens.

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Trustees Glenn Hutchins and Abby Joseph Cohen offered insights from the private sector. The two and a half days of intense sessions with scholars, senior officials and congressional leaders were held in conjunction with the annual meeting of the International Advisory Council.

In July, Brookings lost a longtime friend with the death of Robert S. McNamara, who joined the Board of Trustees in 1968 and was elected as an honorary trustee in 1986, serving until his death. Talbott commented that “Bob McNamara was a towering figure who left his mark in multiple ways on the national and global landscape—in business, in international finance, in public service, and in advocacy for causes ranging from the eradication of poverty to nuclear disarmament.”

Corporate Philanthropy = Social Responsibility

A responsible business can not avoid trying to improve the environment in which it operates, Bill Clinton emphatically stated at a Brookings gathering this year. The 42nd president of the United States and founding chairman of the Clinton Global Initiative urged more government-private sector collaboration, especially since many people are failing to thrive in the current downturn. With so many chief executives from major corporations facing the challenge of restoring the public’s confidence in business, the event brought together corporate leaders for a discussion on how businesses can create value both for shareholders and society.

Some companies have integrated “doing good” into their core businesses to reduce costs, increase profits and confront the world’s most pressing problems.

Muhtar Kent, CEO and Chairman of Coca-Cola, described his firm’s ethos: “We have a philosophy that says that unless we can meaningfully help create sustainable communities in all of those 203 countries where we operate, then we will not have a long-term and sustainable business.”

Council Members Exchange Views with Brookings Experts

With a robust calendar of events in New York, Washington and other major cities, Brookings Corporate Council members this year enjoyed a variety of opportunities to hear directly from scholars about their research and analysis.

Senior Fellow Bruce Riedel and others drew a full crowd to a Council event in New York hosted by Brookings Trustee Alan Batkin. Council members were eager to hear Riedel, as he had just returned to Brookings after spending two months at the White House chairing President Obama’s review of Afghanistan and Pakistan policy. Brookings Trustee Bart Friedman hosted another well-attended event in New York, featuring Vice President of Foreign Policy Carlos Pascual and Senior Fellow Bruce Jones assessing the Obama administration’s response to global security threats.

In Washington, Brookings Trustee Ann Jordan hosted Senior Fellow Thomas Mann, who offered his predictions for the 2008 elections and provided his assessment of the likely consequences. After the election, Brookings Council member Kay Enokido hosted Senior Fellow E.J. Dionne at the Hay-Adams Hotel in Washington to engage in a thoughtful conversation on the meaning of its outcome.

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PHOTO BY STEVEN PURCELL

Trustee Steven A. Denning, chairman of General Atlantic LLC, participates in a discussion on the global ramifications of the economic downturn.



PHOTO BY STEVEN PURCELL

Shaping a new strategic plan for Brookings, President Strobe Talbott and Board Chairman John Thornton give Trustees a comprehensive understanding of the Institution’s capability, expertise and goals for moving ahead.



PHOTO BY JUANE CABRERA

Trustee Beatrice W. Welters, founder of the An-Bryce Foundation, with Brenda Thompson (right).

James Wolfensohn provides remarks at a Wolfensohn Center for Development event in December that called for action on global early child development to help break the cycle of inherited poverty.



PHOTO BY RICHARD A. BLOOM/NATIONAL JOURNAL



PHOTO BY STEVEN PURCELL

Antoine van Agtmael (left), Trustee, chairman of the Brookings International Advisory Council and chairman and CIO of Emerging Markets Management, LLC, talks to Trustee Kenneth M. Jacobs, deputy chairman of Lazard Freres & Co. LLC, on the “unthinkable” headlines dominating news. Opening the June IAC meeting, van Agtmael sketched the dramatic change incurred by the bankruptcy of iconic U.S. corporations.

Welcoming New Trustees

During the 2008–2009 year, six new Trustees were elected to the Brookings Board, joining a distinguished group of the nation’s foremost business executives, academics, community leaders, former government officials, and international business leaders. The Board, which meets three times a year, helps govern the business affairs of the Institution, approves the fields of scholarly investigation and safeguards the independence of the Institution’s work. Brookings is proud to welcome its newest members to the Board of Trustees:

- Dominic Barton
Managing Director
McKinsey & Company
- Cheryl Cohen Effron
- Benjamin R. Jacobs
Founder and Managing Partner
The JBG Companies
- Richard A. Kimball, Jr.
Managing Director and
Co-Head of Global Health-
care Investment Banking
and Capital Markets
Goldman, Sachs & Co.
- Thomas C. Ramey
Former Chairman
Liberty International,
Liberty Mutual Group
- Lynn Thoman
Co-President
Leon Lowenstein
Foundation

(continued)

The International Advisory Council Offers a Global Perspective on Tumultuous Times

The Brookings International Advisory Council held its fourth annual meeting in the midst of the global economic crisis and five months into the new Obama administration. With a membership that represents the diverse regions of the world and leaders from business, politics, media and higher education, the IAC launched a global, action-oriented dialogue. It ranged from climate change and U.S. health care reform to the growth of emerging economies exemplified by China, India, Brazil and South Africa.

The IAC, in conjunction with the Brookings Board of Trustees, urged a Brookings agenda that gives priority to issues of restoring growth through innovation and fresh thinking on the policy conundrums of the day, notably energy and health care. Many endorsed the importance of a cross-disciplinary approach to multifaceted issues.

Looking ahead, the long-term growth in government spending is heavily pushed by health costs. Budget Director Peter Orszag told the IAC and Trustees that the United States is on an unsustainable course. Much of the conversation that followed centered on the best way to reorient the system toward quality care versus quantity of care.

The theme of more effective global governance—with cooperation among great powers at its core—ran through the proceedings. House Speaker Nancy Pelosi (D-Calif.), who had just returned from an official visit to China, focused her remarks on negotiations over a post-Kyoto



Betsy Biern, vice president for development, talks to the Metropolitan Policy program's Amy Liu prior to an event on the stimulus package at six months. Liu and the other panelists were cited by *Washington Post* columnist David Broder for their insights on what will happen in 2010, the year when stimulus spending concludes and the nation must figure out what to do next.

climate regime. The Speaker predicted—correctly—that the House of Representatives would pass a climate change bill before the July 4 recess.

IAC members, Trustees and guests gathered before a giant screen to watch as President Obama addressed the Muslim world from a university podium in Cairo. Afterward, they discussed their reactions. Their assessment: largely positive. Henry Kissinger, former U.S. Secretary of State and recipient of the 1973 Nobel Peace Prize, expressed a cautiously favorable reaction to the Cairo speech. Referring to his personal experience with transformative moments in world history, he shared his opinion that “great leaders deal at the outer limit of possibilities.” ■



Trustees Cheryl Cohen Effron (left) and Benjamin R. Jacobs, managing partner of the JBG Companies, attend a welcome reception and dinner hosted by the Knight Foundation at the home of Rosa and Carlos de la Cruz prior to the February Board of the Trustees meeting in Miami. Gail Jacobs is also pictured.

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STATEMENT OF ACTIVITIES

Years Ended June 30, 2009 and 2008 (in thousands)
Preliminary and Unaudited*

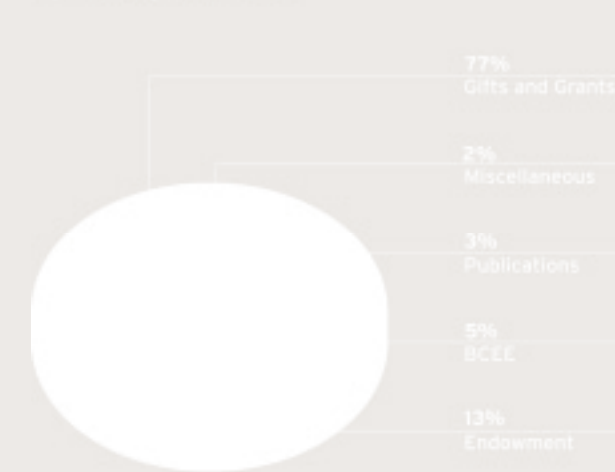
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2009 TOTAL	2008 TOTAL
OPERATING ACTIVITIES					
Revenue and Support					
Investment return designated for operations	\$ 10,536	\$ 2,698		\$ 13,234	\$ 12,431
Grants, contracts, and contributions	10,954	39,965		50,919	61,150
Conferences	4,270			4,270	5,283
Brookings Press	2,694			2,694	2,654
Facility and other revenue	1,437	18		1,455	1,241
Net assets released from restrictions— Satisfaction of program restrictions	51,013	(51,013)			
Total Operating Revenue	80,904	(8,332)		72,572	82,759
OPERATING EXPENSES					
Program services					
Economic Studies	15,167			15,167	11,924
Foreign Policy	19,067			19,067	17,112
Global Economy and Development	7,781			7,781	6,914
Governance Studies	3,526			3,526	2,409
Metropolitan Policy Program	7,687			7,687	9,551
Other Research	543			543	2,094
Executive Education	3,385			3,385	5,316
Brookings Press	3,079			3,079	3,141
Communications	1,786			1,786	3,582
Total Program Services	62,021			62,021	62,043
Supporting Services					
Management and General	17,802			17,802	15,341
Fundraising	2,941			2,941	2,640
Total Operating Expenses	82,764			82,764	80,024
Net Operating Activity	(1,860)	(8,332)		(10,192)	2,735
Write-off of impaired asset	(3,753)			(3,753)	
Change in net assets before non-operating activities	(5,613)	(8,332)		(13,945)	2,735
NON-OPERATING ACTIVITIES					
Investment return in excess of amounts designated for operations					
Realized gain (loss) on sale of investments	9,359			9,359	12,162
Unrealized gain (loss) from investments	(38,335)	(9,272)		(47,607)	(24,676)
Interest and dividends, net	138			138	1,094
Investment return designated for operations	(13,235)			(13,235)	(12,431)
Total investment return (loss) in excess of amounts designated for operations	(42,073)	(9,272)		(51,345)	(23,851)
Contributions for endowment	89	538	\$ (676)	(49)	5,366
Total Non-Operating Activities	(41,984)	(8,734)	(676)	(51,394)	(18,485)
Change in net assets before post-retirement related changes other than net periodic post-retirement benefit cost	(47,597)	(17,066)	(676)	(65,339)	(15,750)
Post-retirement related changes other than net periodic post-retirement pension cost	106			106	(119)
CHANGE IN NET ASSETS	(47,491)	(17,066)	(676)	(65,233)	(15,869)
Net assets, Beginning of year	193,596	102,876	58,286	354,758	370,627
Net assets, End of year	\$146,105	\$ 85,810	\$57,610	\$289,525	\$354,758

STATEMENT OF FINANCIAL POSITION

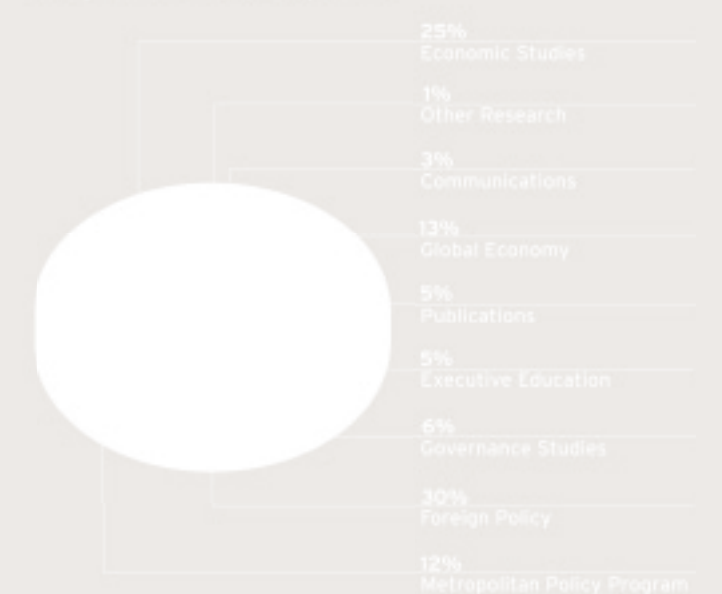
As of June 30, 2009 and 2008 (in thousands)
Preliminary and Unaudited*

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 7,627	\$ 5,604
Grants, contributions and accounts receivable, net	72,528	70,356
Inventory	546	481
Investments	219,691	277,455
Property and equipment, net	46,655	43,122
Other assets	1,704	979
TOTAL ASSETS	\$348,751	\$397,997
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	7,759	8,846
Bonds payable and lines of credit	44,361	28,031
Accrued compensated leave	2,730	2,409
Accrued post-retirement benefit obligation	3,400	3,340
Deferred revenue	976	613
TOTAL LIABILITIES	\$ 59,226	\$ 43,239
NET ASSETS		
Unrestricted	146,105	193,596
Temporarily restricted	85,810	102,876
Permanently restricted	57,610	58,286
TOTAL NET ASSETS	289,525	354,758
TOTAL LIABILITIES AND NET ASSETS	\$348,751	\$397,997

Operating Revenues



Program Services Expenses



Notes:

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

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

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

The Brookings Institution Press released numerous books this year on issues front and center to the new administration and Congress. With the reshaping of the political landscape, many authors were subsequently appointed to positions to help implement their published ideas.

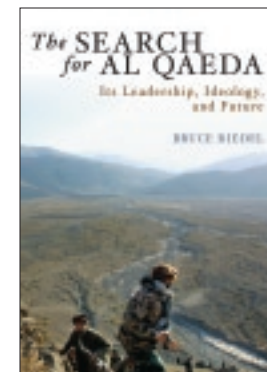
Carlos Pascual, former vice president and director of the Foreign Policy program and a co-author of *Power and Responsibility: Building International Order in an Era of Transnational Threats*, was confirmed by the U.S. Senate in July to be U.S. Ambassador to Mexico. With the other authors—Senior Fellow

Bruce Jones and Nonresident Senior Fellow Stephen J. Stedman, an expert on civil wars and conflict management—Pascual provides the conceptual underpinnings for a new approach to sovereignty and cooperation. They presented ideas to the new U.S. administration for working with other global powers toward peace and stability.

President Obama's Deputy Secretary of State, James Steinberg, another former vice president and director of Foreign Policy, co-authored *Difficult Transitions: Foreign*

Policy Troubles at the Outset of Presidential Power with Kurt M. Campbell, confirmed in June as Assistant Secretary of State for East Asian and Pacific Affairs. Steinberg and Campbell provide a road map to help the new administration steer clear of the land mines ahead.

Former Senior Fellow David B. Sandalow, editor of *Plug-In Electric Vehicles: What Role for Washington?*, was selected to be Assistant Secretary of Energy for Policy and International Affairs.



Book contributors include former government officials, respected private sector analysts, NGO activists and academic experts. Together they explain the current landscape for plug-in electrics and implications for national security, the environment and the economy.

Another Brookings book on this topic is *Acting in Time on Energy Policy*, edited by Kelly Sims Gallagher with a team of contributors from Harvard's Kennedy School.

Their volume details the problems of being reactive, rather

than proactive, in confronting economic and environmental concerns.

Before becoming the Deputy Chief Technology Officer for Open Government in the Obama White House, Beth Simone Noveck authored the Brookings book *Wiki Government: How Technology Can Make Government Better, Democracy Stronger, and Citizens More Powerful*. She promotes the thesis that computer networks allow ordinary people to play a larger and more

responsible role in their own government. Desmond Tutu. It also received honorable mention in the Council on Foreign Relations' annual Arthur Ross Award competition.

Two other Brookings books also won awards: *Power Play* by James P. Pfiffner, about George W. Bush's use of presidential authority, won a silver medal in *ForeWord Magazine's* Book of the Year awards. *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility*, by David Vogel (2005), was judged the best book on social issues by the Academy of Management. ■

The Responsibility to Protect: Ending Mass Atrocity Crimes Once and For All, authored by Gareth Evans of the International Crisis Group, has been warmly praised by a host of international notables, including South African leader

Desmond Tutu. It also received honorable mention in the Council on Foreign Relations' annual Arthur Ross Award competition.

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The Search for Al Qaeda, Senior Fellow Bruce Riedel explains the origins, leadership, ideology, and strategy of

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