

THE  
BROOKINGS  
INSTITUTION

ANNUAL REPORT 2003

INDEPENDENT  
RESEARCH  
SHAPING  
THE FUTURE

# CONTENTS

# BROOKINGS



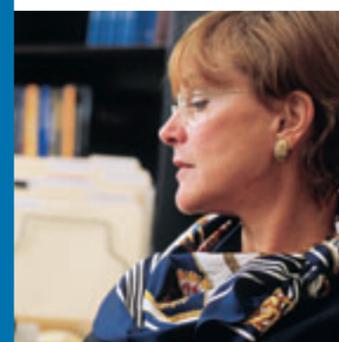
## 6 Foreign Policy Studies



## 14 Governance Studies



## 22 Economic Studies



## 34 Development

**12 Saban Center for Middle East Policy**  
*p. 13 Center for Northeast Asian Policy Studies*



**21 Interdisciplinary Research: Reducing Global Poverty**

**24 Urban-Brookings Tax Policy Center**  
*p. 27 AEI-Brookings Joint Center for Regulatory Studies*



**28 Center on Urban and Metropolitan Policy**

**30 The Brookings Institution Press**



**32 Center for Public Policy Education**

**2** Introduction

**4** Chairman's Message

**5** President's Message

**38** In Memoriam

**39** Contributors

**41** Financial Summary

**43** Board of Trustees

**44** Brookings by the Numbers



## THE BROOKINGS INSTITUTION

T

he Brookings Institution is an independent, nonpartisan research organization that seeks to improve the performance and the quality of U.S. public policies. Experts at Brookings have blue-ribbon academic credentials, as well as long experience in business, government, and nonprofit organizations. Their research, aimed at offering practical approaches to policy questions, is presented in language that is both engaging and accessible to the general public. ■ Brookings has three main research programs: Economic Studies, Foreign Policy Studies, and Governance Studies. It also sponsors a variety of centers and initiatives that study nuclear proliferation, national security, welfare reform, human rights, tax and budget policy, education, public service, cities and metropolitan areas, the Middle East, Northeast Asia, and Europe. ■ A major focus of the Brookings Institution's efforts is to ensure that its research is effectively disseminated. Brookings scholars write books, policy briefs, journal articles, and op-ed pieces. They testify on Capitol Hill and hold private, off-the-record meetings with policymakers, their staffs, and other experts seeking their advice. Brookings conducts regular press briefings open to the public at its headquarters in Washington, which is also home to its television and radio studio. Most of its research is available on the Institution's website, [www.brookings.edu](http://www.brookings.edu). ■ Brookings is named for entrepreneur and philanthropist Robert S. Brookings, whose leadership was instrumental in its early development. In 1916, a group of reformers founded the Institute for Government Research (IGR), the first private organization devoted to analyzing public policy issues at the national level. In 1922 and 1924, Robert Brookings, one of IGR's backers, established two supporting sister organizations: the Institute of Economics and a graduate school bearing his name. In 1927, the three groups merged to form the Brookings Institution. ■ Today, Brookings is financed largely by an endowment and through the support of philanthropic foundations, corporations, and individuals. Funds are used for carrying out research and educational activities. Brookings also undertakes some unclassified government contract studies, reserving the right to publish its findings. ■ A Board of Trustees oversees Brookings, approving its areas of investigation and safeguarding the independence of its work. The Institution's president is the chief administrative officer. He sets policy, recommends projects, approves publications, and selects staff.



The cameras roll at one of Brookings's frequent events, this one featuring a speech on Iraq by Senator John Kerry

## CHAIRMAN'S MESSAGE

I am fortunate to begin my tenure as chairman at a time when Brookings has distinguished itself as the leading think tank among policymakers, opinion shapers, and the public in addressing the pressing issues facing our nation—and our world. Succeeding Jim Johnson, whose nine years as chairman strengthened Brookings as an institution, is no easy task. However, thanks to his hard work, and the efforts of many others, today's Brookings is better positioned than ever to educate and inform the public about the issues that have a direct bearing on all of our lives.

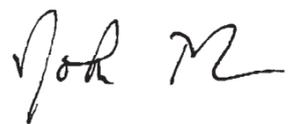
Never before has the mission of the Brookings Institution been more important, and never have our scholars worked harder to respond to the most critical questions of the day. Our world-class scholars are contributing to debates on the most difficult domestic policy issues facing the United States—homeland security, the federal budget, tax policy, education, welfare reform, health care, and metropolitan growth. Our success can be measured by the frequency with which Brookings research helps shape public policy and federal legislation.

Brookings plays an ever-increasing role as a thought leader on global issues and international policy. Brookings scholars inform policy on U.S. relations with key allies, international trade in an era of globalization, national defense, and global poverty.

For almost 90 years, Brookings has offered policymakers unbiased, balanced analyses of complex problems. It gets stronger with time. Again this year, Brookings is the most cited think tank by television, radio, and print news organizations; it also has been ranked the single most credible information source among the leading policy organizations.

Brookings's successes are due not only to our first-rate scholars and staff but also to the ongoing support we receive from corporations and foundations and the valued leadership—financial and intellectual—of our Trustees. We understand the importance of making sure that our work reaches audiences outside of Washington. With the help of the Brookings Council, this continues to be an important method of involving more people in our work.

This is a time of great strength for Brookings, and it is my intention to make sure that we use this momentum to work even harder at addressing today's vital issues. I look forward to helping Brookings respond to these challenges with the integrity, objectivity, and intelligence that have been our guiding light from the very beginning.



John L. Thornton, left,  
and Strobe Talbott



© KATHERINE LAMBERT

## PRESIDENT'S MESSAGE

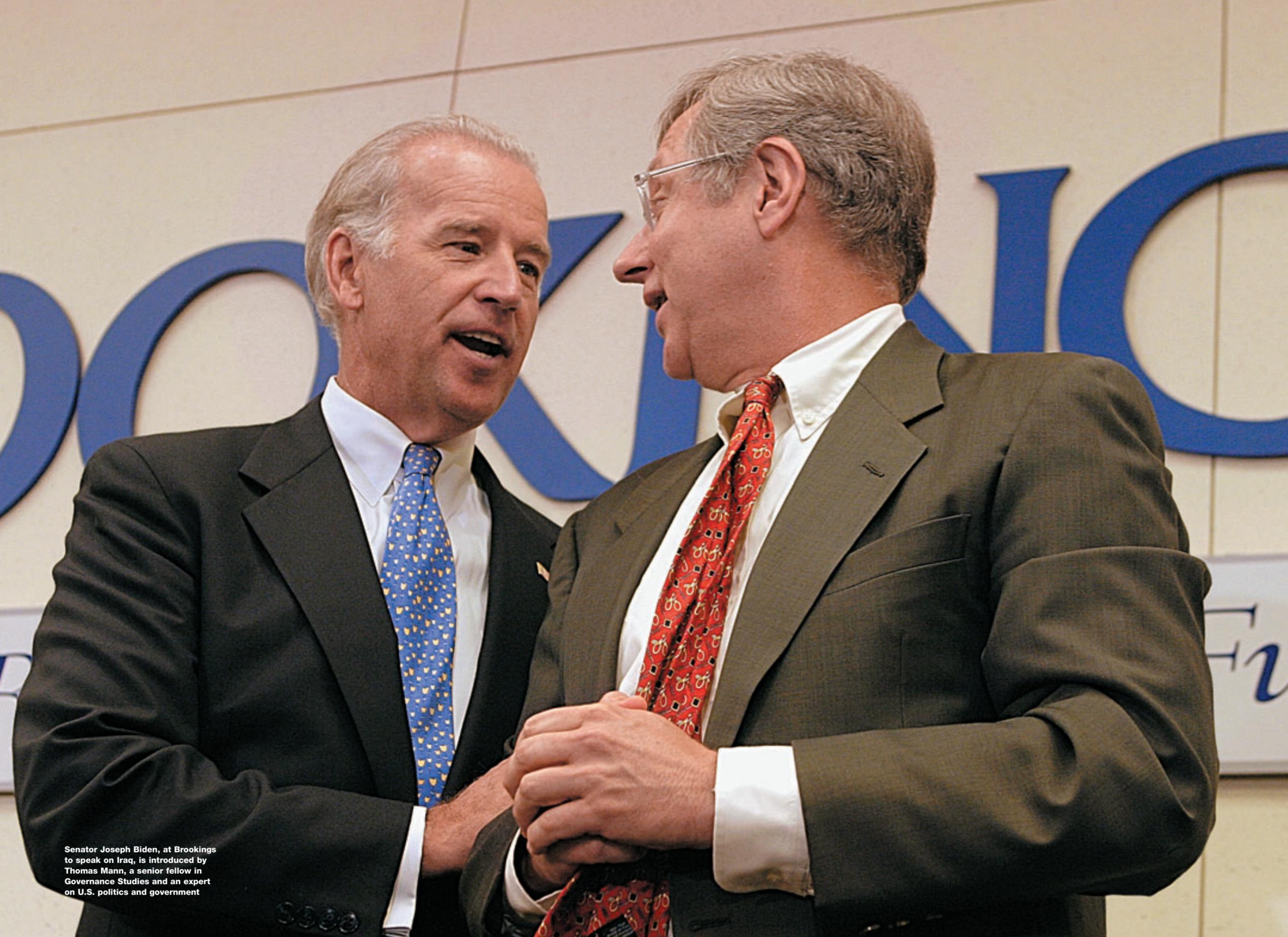
With a presidential campaign in full swing and the debate escalating over America's role in the world, we at Brookings feel that now more than ever our work is of value to the nation. As you look through this annual report, I hope you will perceive the intensity, enthusiasm, and sense of purpose that infuse what goes on here every day.

What strikes me as I move around the building is not just the intellectual quality of my colleagues but the diversity of their interests, expertise, and experience. In addition to our 50 full-time scholars, we have 45 nonresident senior fellows and 40 visiting and guest scholars. We have specialists in just about every area of social science and representatives of a dozen foreign countries. They come from major universities, the world of public service, and the front lines of government. That means experts who are well versed in the theory of public policy can put their heads together with those who are steeped in its practice.

When my own work permits me to indulge my curiosity as a citizen, Brookings offers one-stop shopping. If—as is often the case—I need a reality check on something in the headlines about the budget or tax policy, I can knock on any of a number of doors on the seventh floor, where our economists hang out. If I want the latest on the changing nature of U.S. cities, there's almost always a pickup seminar going on next door at our Center on Urban and Metropolitan Policy. If I want news from abroad, I usually don't have to go farther than the elevator, where I'm apt to encounter a jet-lagged scholar dragging a roller-bag. On any given day, I can drop by Falk Auditorium and listen to a member of Congress, a foreign statesman, a presidential candidate, or a panel of our own scholars rolling out a new study.

We put the highest premium on the independence of our work and on doing it in a truly nonpartisan atmosphere. If there's one thing the Republicans, Democrats, and Independents here agree on, it's that no party has a monopoly on wisdom. A corollary of that independence and nonpartisanship is an institutional commitment to uphold, by our example, civility of discourse and debate as requirements for a healthy democracy. I believe extreme partisanship and attack politics increasingly threaten the health of our democracy. Brookings can be part of the solution to this problem, not just in what we do but in how we do it—especially in the year ahead.





Senator Joseph Biden, at Brookings to speak on Iraq, is introduced by Thomas Mann, a senior fellow in Governance Studies and an expert on U.S. politics and government

# Foreign Policy Studies



What role should the United States play in the world? How effective is our strategy to combat terrorism? How can Iraq and the wider Middle East achieve a stable peace? Will the administration's strategy of preventive war halt the spread of weapons of mass destruction or will it contribute to greater global instability? Can our existing rules and institutions manage global change?

These questions were among the year's most vigorously debated issues, and the Foreign Policy Studies program was uniquely positioned to contribute relevant analysis and policy recommendations. With national security concerns dominating the news—from the aftermath of war in Afghanistan to the nuclear crisis on the Korean peninsula, through the diplomatic, political, and military developments in Iraq—the program acted as a key resource for policymakers, the news media, and others seeking up-to-the-minute information and authoritative commentary.

"This year was extraordinarily active and productive for FP scholars," notes James Steinberg, a Brookings vice president and director of Foreign Policy Studies. "President Bush's promulgation of a new national security strategy, the diplomatic imbroglio at the United Nations and the war itself, and new challenges arising in Northeast Asia—FPS had a deep bench of expertise to bring fresh understanding to these events."

During this tumultuous time, Brookings scholars conducted frequent press briefings, countless individual interviews, and numerous online discussions. At the height of the Iraq war, they posted daily analyses on the Brookings website. Senators Joseph Biden and John Kerry were among the prominent figures who appeared at Brookings to discuss Iraq.

DAVID SCULL

The Foreign Policy Studies program continued to evaluate the long-range implications of these events for national policy and for the program's research agenda. In September 2002, the program held a retreat to assess its performance in the prior year and plan for the impending crisis in the Gulf region. "We used this time together, away from the building, to carefully map out our long-term agenda," Steinberg says, "and I think that as a result, our response to the events of the past year was arguably more comprehensive and effective than even that following 9/11."

FPS benefited from the arrival of several new scholars of distinction: Kenneth M. Pollack, an expert on Iraq and the Persian Gulf who formerly served at the Central Intelligence Agency and the National Security Council, joined the Saban Center for Middle East Policy as a senior fellow and director of research. Pollack published his bestseller, *The Threatening Storm: The Case for Invading Iraq*, in September 2002, and distinguished himself as a leading commentator on and occasional consultant to the U.S. government on its policy toward Iraq and the Persian Gulf. He also examined the transatlantic relationship's role in bringing about economic and political transformation in the Middle East and the prospects for democracy and a new security architecture in the post-Saddam Persian Gulf.

Nigel Purvis, a former senior State Department official responsible for environmental diplomacy, became Brookings's first scholar on environment, development, and global issues. Senior fellow Purvis spent his first weeks at Brookings completing the chapter "A New Partnership Between Congress and the Administration" for *The Other*

*War: Global Poverty and the Millennium Challenge Account*. He subsequently turned his attention to developing an environmental program at Brookings, coordinating with Brookings scholars working on environmental issues and forging plans for collaboration with the Pew Center on Global Climate Change and other organizations. He also continued his research on global poverty, producing the policy brief "Greening U.S. Foreign Aid through the Millennium Challenge Account."

Susan Rice, former assistant secretary of State for African affairs and former special assistant to the president and senior director for African affairs with the National Security Council in the Clinton administration, joined the Institution last September. During the past year, senior fellow Rice devoted most of her research time

to the problem of failed states and their implications for U.S. national security, and published a Brookings policy brief titled "The New National Security: Focus on Failed States." Looking ahead, Rice plans to explore some of the potential elements of a long-term strategy to win the war on terrorism, focusing on the appropriate economic and social policy initiatives.

The program's resident scholars also made significant contributions to the foreign policy debate. Senior fellow Lael Brainard continued her work on globalization in the post-September 11 era. In addition, she helped spearhead the Institution's Global Poverty Reduction Initiative and played a leading role in developing the Brookings response to President Bush's Millennium Challenge Account, including publication of *The Other War* (see p. 21). While

directing the Center for Northeast Asian Policy Studies (see p. 13), Richard Bush edited and wrote for the *Brookings Northeast Asia Survey 2002-2003*, which provided analysis and mid-term perspectives on internal dynamics in China, Hong Kong, and Japan; on the crisis on the Korean peninsula; and on relations between China and Taiwan and China and Southeast Asia. Under the leadership of senior fellow Roberta Cohen, the Brookings-Johns Hopkins Project on Internal Displacement published "The Internally Displaced People of Iraq," a widely cited report that helped shape U.S. refugee policy in Iraq. Senior fellow Stephen Cohen continued to

**Kenneth M. Pollack, the Saban Center's director of research, airs one of his regular CNN commentaries on the war in Iraq**



work on his "Future of Pakistan" book while publishing and speaking on such topics as the threat of Islamic radicalism in Pakistan and strategies for mediating the unrest in Kashmir. He also wrote a just-published book on the 1990 India-Pakistan crisis, wrote several journal articles and book chapters, and made three trips to India, one to Pakistan, and one to Japan, lecturing and doing research in each country. Senior fellow Ivo H. Daalder focused on U.S. foreign policy and transatlantic relations. He collaborated with James M. Lindsay on *America Unbound: The Bush Revolution in Foreign Policy* and is completing work on a major study on the future of U.S. foreign policy.

Senior fellows Clifford Gaddy and Fiona Hill spent the bulk of the past year finishing their latest book, *The Siberian Curse: How Communist Planners Left Russia Out in the Cold*. Hill also contributed research and recommendations on dealing with religious extremism in Central Asia, simultaneously publishing articles on oil and energy issues in Saudi Arabia. Senior fellow Philip Gordon worked extensively on the crisis in U.S. relations with Europe, particularly over Iraq and the Middle East. Gordon is completing a book analyzing what went wrong in the diplomatic run-up to Iraq in the broader context of transatlantic relations.

Senior fellow Martin Indyk divided his time among three major projects: building the staff and programs of the Saban Center (see p. 12); coordinating the activities of the Islamic World project; and writing a book on the Clinton administration's Middle East Policy. Senior fellow James M. Lindsay, who recently left Brookings to become director of studies at the Council on Foreign Relations,

helped edit *Agenda for the Nation*, in addition to writing *America Unbound*. He also wrote or co-wrote a dozen journal articles and two dozen op-eds, including pieces in *The New York Times* and *The Washington Post*.

Senior fellow Michael O'Hanlon spent the past 12 months on six main areas of research: homeland security, Iraq, humanitarian military intervention, the defense budget, military outer space policy (as well as other arms control subjects), and Korea policy, including publication (with former Brookings fellow Michael Mochizuki) of *Crisis on the Korean Peninsula* (see p. 10).

Steinberg's work focused on broad U.S. national security strategy, homeland security, U.S.-European relations (including publication of "An Elective Partnership: Salvaging Transatlantic Relations" in the Summer 2003 issue of *Survival*), and information technology and security. Steinberg appeared, formally and informally, before Congress over the past year; had speaking engagements in the United States, Europe, and Asia; and published a number of op-ed and analysis pieces. Omer Taspinar joined FPS this year as a research fellow and co-director of the Brookings Project on Turkey. Working with the Center on the United States and France (CUSF) and the Brookings Project on U.S. Policy Towards the Islamic World, Taspinar is focusing on Turkish domestic and foreign policy as well as education and development initiatives in the Islamic world.

**Visiting Scholars**

The Foreign Policy Studies program hosted numerous visiting scholars from around the world this year. Ambassador Charles L. Pritchard, a top aide to President

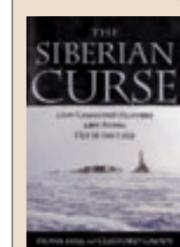
Déjà Vu

Fiona Hill was born and raised in a coal town devastated by the decline of British heavy industry. When all of the town's mines and most of its industry closed, half of the town's men were unemployed.

For the Hill family, the Soviet Union was a frequent conversation topic. The Cold War put Britain and the U.S.S.R. on opposite sides of the nuclear abyss, but the Kremlin's promise of workers' rights appealed to many of her relatives who had toiled in horrible working conditions.

After studying Russian and modern history at St. Andrew's University in Scotland and studying in Russia for a year, Hill came to the United States to see the world from a different perspective. Two months after she enrolled at Harvard, the Berlin Wall collapsed. Six months after she graduated with a degree in Soviet studies, the Soviet Union collapsed.

By then, Hill had become a student of the Soviet empire. She now ranks as a leading scholar on Russia, the Caucasus, and Central Asia.

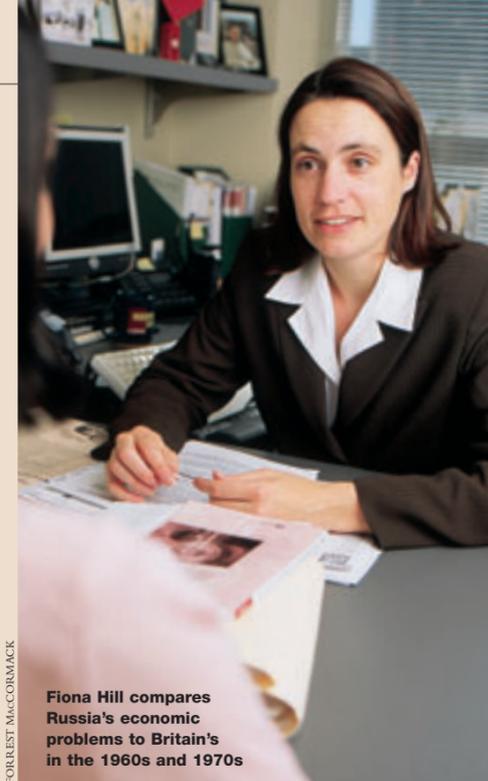


This past year, Hill and Brookings fellow Clifford Gaddy collaborated on *The Siberian Curse*, a book that examined the history of Russia's reform efforts and its difficulties in becoming a free-market, democratic society. In what *The Economist* called a "fascinating study," Hill and Gaddy argue that Russia fell victim to its obsession with Siberia, defying nature and market forces by forcing industries and populations into a forbiddingly cold region. This burdened the Russian economy and hindered the development of Russia's relationship with western Europe.

"Many people concluded that the failure of Russian reforms was due to poor government policies, a lack of democratization, and no rule of law," Hill says. "To me, however, it never seemed plausible that Russia could overnight become a market economy simply because the Communists were gone."

Throughout her studies of the Soviet Union, Hill has been amazed at the similarities between the troubles of her hometown and those of Russia in transition.

"When I first arrived in the Soviet Union in 1987, the parallels were unmistakable," she says. "It was strikingly reminiscent of the heavy industrial regions of Britain in the 1960s and 1970s. I immediately realized that the U.S.S.R. was in the early phase of the grim decay and blight that my home region had entered almost thirty years ago. Given the sheer scale of the Soviet Union, and the fact that my own region was still on the road to economic recovery, it was also obvious that Russia would have a long, long way to go."



FORREST MCCORMACK

**Fiona Hill compares Russia's economic problems to Britain's in the 1960s and 1970s**

Bush in the administration's negotiations with North Korea and the U.S. representative to the Korean Peninsula Energy Development Organization (KEDO), joined Brookings as a visiting fellow to continue his research on North Korea's nuclear program and the U.S.-Japan and U.S.-South Korea security relationship. Michael Levi, former director of the Strategic Security Project at the Federation of American Scientists, recently joined FPS as the program's first science and technology fellow to work on issues of biological, chemical, and other weapons of mass destruction. David Sandalow, a former assistant secretary of State for oceans, environment, and science, joined FPS as a visiting scholar to research and write about conservation and global

environment issues. Amatzia Baram, one of Israel's leading scholars on Iraq, spent several months at the Saban Center writing about Iraq's internal politics before and after the fall of Saddam's regime. Shaul Bakhash signed on as a visiting scholar at the Saban Center, writing on the prospects for domestic reform in Iran. Recently retired Israeli general Shlomo Yanai served as a visiting fellow at the Saban Center, conducting research on the security requirements for Israel in a two-state solution to the Israeli-Palestinian dilemma. Syria also became an important focal point of U.S. attention after the liberation of Iraq, and the Saban Center brought in Flynt Leverett, the former senior director for Middle East Policy at the National Security

## Everywhere Man

At times last year, it seemed that Brookings must have more than one Michael O'Hanlon. He published two books—*Crisis on the Korean Peninsula* and *Expanding Global Military Capacity for Humanitarian Intervention*—updated another (*Protecting the American Homeland: One Year On*), wrote 40 op-eds and four journal articles, traveled to Iraq, served as an adjunct professor at Columbia University and a visiting lecturer at Princeton, testified before Congress three times, and made more than 250 television appearances.

With Iraq, North Korea, and security issues among his areas of expertise, O'Hanlon was a go-to guy for reporters trying to make sense of these complicated issues.

"He's a very sharp analyst," says Mike Gordon, chief military correspondent for *The New York Times*. "He is plugged into the current debate on a broad range of subjects, whether it's Iraq or North Korea or transformation. He not only approaches the issues from a strong analytic standpoint, but he's current with the policy deliberations that are going on regarding these matters within the government."

Much of O'Hanlon's appeal stems from his non-doctrinaire approach to issues. "Michael is surprising a lot of the time," says Vernon Loeb, who writes about the military for *The Washington Post*. "You think he might be coming from a predictable point of view and he often really surprises you. He zigs when other people zag."

O'Hanlon says he simply calls things as he sees them. "I don't seek a middle ground," he says. "I try to be interesting and accurate, and try to admit when I don't know something or when I'm wrong. Sometimes, I am more comfortable being left, sometimes being right, and sometimes



being totally out of the mainstream."

After earning his undergraduate degree in physics at Princeton, O'Hanlon served in the Peace Corps in Africa, an experience that had a powerful effect on his thinking. When he returned to Princeton, he got his master's in physics, but then devoted his doctoral studies to public and international affairs, an outgrowth of interests that began to take hold in Africa—humanitarian military intervention and foreign aid.

"I felt that Brookings should say something about these important issues, and for me, it's just been a matter of wanting it," says O'Hanlon. "I've benefited from the combination of working with regional analysts and being at Brookings, which has the resources that a scholar needs to make efficient use of time."

ity Council, to write a monograph on Syria since the death of Hafiz al-Asad.

The Islamic World project also launched its visiting fellows program, hosting Muqtadar Khan, an Indian professor researching strategies for repairing the rift between the United States and the Islamic world; and Adelwahab el Affendi, a Sudanese scholar working on the promotion of liberal democracy in the Islamic world. The Center on the United States and France (CUSF) hosted Justin Vaisse, a professor at the Institut d'Études Politiques de Paris and author of numerous books and articles on France, French-American relations, and U.S. foreign policy.

Zugui Gao, director of the U.S.-Islamic World/Middle East Relations Program at the China Institute of Contemporary International Relations (CICIR), was a visiting scholar at the Brookings Center for Northeast Asian Policy Studies (CNAPS) researching the convergence and divergence of U.S. and Chinese interests in the Middle East. General Kim Dong-Shin was in residence as a CNAPS distinguished fellow. General Kim previously served as deputy commander of the Combined Forces Command, chief of staff of the Republic of Korea Army, and minister of defense of the Republic of Korea (2001–2002). He spent his time with CNAPS exploring the U.S.-ROK alliance and the strategic implications of the current nuclear crisis on the peninsula.

Ejaz Haider, a leading South Asian journalist who writes for



both *The Friday Times* and the *Daily Times* of Lahore about security, philosophy, Islam, and foreign policy, spent several months in residence at Brookings as a guest of FPS's India-South Asia project. Haider was detained by the INS while working at Brookings, but he was subsequently released. This diplomatic incident and Haider's op-ed piece about the experience in *The Washington Post* contributed

greatly to the debate on homeland security and U.S. responses to September 11. Another guest of the Brookings India-South Asia project this year was Brigadier Feroz Ahmed Khan, an officer in the Pakistani army with responsibility for Pakistani nuclear doctrine.

**Center for Northeast Asian Policy Studies** (CNAPS) is completing its fifth full year (see

p. 13). The next class of CNAPS fellows—a mix of officials, policy analysts, and journalists—continues a strong tradition of bringing together outstanding thinkers and practitioners. CNAPS held a variety of public events focusing on the Korean peninsula. Richard Bush, the director of the center, has begun writing a book on the political dimensions of China-Taiwan cross-strait relations.

**Center on the United States and France** (CUSF), under the direction of Philip Gordon, is in its fourth year. Brookings is pursuing the possibility of expanding CUSF into a center on the United States and Europe—a natural evolution given the expertise of Ivo Daalder, Gordon, and James Steinberg in the area of transatlantic relations. Given France's opposition to the U.S. position on Iraq at the UN, CUSF scholars and affiliates were sought out by the media to comment on the European, and particularly the French, perspective. The center published many topical analyses and organized a range of debates on French-American relations and the two countries' divergent perceptions of national security.

**Saban Center for Middle East Policy** completed its first full year of activities and has quickly established itself as the authoritative source for analysis and insight on the wider Middle East (see p. 12). Under the leadership of Martin Indyk, the center hosted visiting scholars and convened numerous roundtables, conferences and seminars, including a series of workshops that introduced a plan for a Palestinian trusteeship, and an Iraq War simulation in which participants played the roles of principal decision-makers. ■

# Saban Center for Middle East Policy

**T**he Saban Center for Middle East Policy, founded in May 2002 with the generous assistance of Los Angeles entrepreneur Haim Saban, is already playing a central role in the debate over how to effect change in a region of singular importance to the United States. The center's mission is to bring together the best authorities on the peace process, the Persian Gulf, and the larger Arab and Islamic worlds for timely, provocative discussions.

"This was the year when the Bush administration launched a bold and ambitious effort to transform the Middle East," says Saban Center Director Martin Indyk, a two-time ambassador to Israel. "We are trying to help policymakers develop more effective diplomatic options at a time when the Middle East has become the highest priority of the U.S. government."

One of the center's most significant contributions has been "The Daniel Abraham Israeli-Palestinian Workshops," which became a testing ground for the new concept of trusteeship for the West Bank and Gaza. "We brought key members from both sides here and sat them down and tried to develop new ideas to end the violence," Indyk recalls. Under this approach, a U.S.-led international group would assume control of the Palestinian areas now nominally assigned to the Palestinian Authority, and an international conference would declare the creation of the Palestinian state but place the territories in trust for three years. Indyk described the Saban Center's formulation of this approach in a May 2003 article in *Foreign Affairs*.

The center quickly distin-

guished itself with its wide-reaching analysis of the Iraq War—from pre-war diplomacy to military operations to post-war nation building. Indyk and Director of Research Kenneth M. Pollack, joined by nonresident scholars Daniel Byman and Shibley Telhami and visiting scholar Amatzia Baram, examined the conflict in

weekly press briefings, biweekly Gulf working group meetings, electronic "Iraq Memos," and daily clippings collected in "Iraq in the News." Early in the crisis, the Saban Center put together an Iraq War simulation that demonstrated that even a relatively favorable scenario for liberating Iraq would impose heavy costs on U.S. diplo-

matic efforts and military resources.

The Saban Center is also researching the dynamics of the Iranian reformation; phase three of the war on terror, including the Syrian challenge; and political change in the Arab world. Two visiting fellows joined the Saban Center staff this year. Flynt

Leverett, former CIA analyst and senior director at the National Security Council, is a specialist on Syria and Lebanon. He is writing a book on Syrian foreign and domestic politics since the death of Hafiz al-Asad. Shaul Bakhash, an expert on Iranian politics, will write a book exploring the prospects for internal reform in

Iran and the likelihood that the United States can influence these reforms.

The center also houses the ongoing "Brookings Project on U.S. Policy Towards the Islamic World," directed by Peter Singer, Olin Fellow in Foreign Policy Studies. With financial support from the government of Qatar, the



Saban Center director Martin Indyk greets Sheik Hamad bin Khalifa Al Thani, the Emir of Qatar

GOVERNMENT OF QATAR

# Center for Northeast Asian Policy Studies

**T**he Center for Northeast Asian Policy Studies concentrates its research and analysis on issues that rank near the top of America's most pressing foreign policy and national security concerns:

- Tensions on the Korean peninsula.
- Integrating China into the international economic and political system.
- U.S.-China strategic relations.
- The standoff between China and Taiwan.
- Japan's political and economic problems.

"The work of CNAPS helps inform policy discussions and offers recommendations on issues of concern in Northeast Asia and for U.S. policy development in the region," says Richard Bush, director of the center.

CNAPS' unique Visiting Fellows program annually brings five or six scholars from Northeast Asia to conduct individual and collaborative research, interact with policymakers, and take part in seminars, roundtables, and discussions at Brookings and elsewhere in Washington.

"The visiting fellows are selected competitively from the middle and senior ranks of government, think tanks, the news media, universities, and business organizations in the region," Bush says.

Typically the visiting fellows come from China, Hong Kong, Japan, South Korea, Taiwan, and Russia.

CNAPS issues an annual *Northeast Asia Survey* containing articles that examine important issues in the region. The most recent *Survey* focused on improved relations between China and Taiwan, conditions in Hong Kong five years after it returned to Chinese control, Japanese economic stagnation, the crisis on the Korean peninsula, and relations between China and its neighbors in Southeast Asia.

The center convenes a monthly Brookings Northeast Asia Roundtable, weekly visiting fellows seminars, briefings for members of the Washington policymaking and diplomatic communities, a major annual policy forum in Northeast Asia, and other events to disseminate the results of its analysis and research.

Brookings senior fellow Michael O'Hanlon wrote a recent policy brief, "A 'Master Plan' to Deal With North Korea," which addresses a topic central to CNAPS research.

O'Hanlon wrote: "Either North Korea has decided that it needs a substantial nuclear arsenal to avoid being the next target of President Bush's new policy of preemption, and of regime change in particular, or it is engaging in brinksmanship because it cannot think of any other way to convince the world community to provide more aid and diplomatic recognition. Or a mix of the two."

His policy brief recommended that the Bush administration "should outline a policy toward North Korea that is defined by tough conditions—including efforts to scale back conventional arms on the peninsula—but one that holds the possibility of engagement, normalization of diplomatic ties, and more aid."

CNAPS scholars frequently testify at congressional hearings about their findings; meet informally with policymakers; publish books, journal articles, and monographs; make their ideas available on the Internet; and discuss their work in newspaper and television interviews.



Richard Bush oversees the Brookings Asian connection



Yaron Deckel of Israeli Radio previews the elections back home

MacArthur Foundation, and the Ford Foundation, the project focuses on the problems afflicting the U.S.-Islamic world relationship, with the objective of developing effective policy responses. Its first annual conference on U.S. Relations with the Islamic World, held on October 19-21, 2002 in Doha, Qatar, brought together American and Muslim intellectuals in an open and productive atmosphere. The second conference is scheduled for January 10-12, 2004. The project's task force hosted monthly meetings featuring prominent speakers, and it has established an analysis paper series on such topics as U.S.-Saudi relations, the new demographics of the Middle East, religious extremism in Central Asia, and Turkey as a model of Middle Eastern governance. ■



Larry D. Thompson, who came to Brookings after serving as deputy attorney general under President George W. Bush, continued his work on combating corporate crime and terrorism

# Governance Studies

# G

overnance Studies has completed its first year with a new name and an interdisciplinary approach to the study of public institutions. "Needless to say, this is a very broad agenda," says Carol Graham, a Brookings vice president and the center's director. "But I am proud of the momentum and impressed by the collegiality and interaction that have developed as we have expanded the program."

By widening its lens, the program has been able to study public policy from a fresh vantage point, examining topical issues from multiple perspectives transcending national borders and academic disciplines. Some issues particularly benefit from this approach.

The SARS pandemic is a case in point. "It is ideal for us to study because it crosses economics, politics, public health, and more," Graham notes. "It straddles both the public and the private sector." GS scholars are beginning to research the disease, which first emerged in Southern China in February 2003, with an eye to the interplay between governance and effective global public health policies. "Anyone can come here and bring SARS," Graham says. "Its presence immediately raises local health concerns. It shows the impact of governance on health concerns, and vice versa and it illustrates how many issues are both local and international."

The Governance Studies program is also examining the economic costs of communicable diseases, particularly in the face of global trade and finances. Because of its wide scope, the program has become a haven for interdisciplinary and forward-looking research.

Graham notes that several GS scholars are attached to other programs and that this "cross-program focus" gives them the opportunity to consider their traditional work in a new light. For example, senior fellow Joshua Epstein, who is affiliated with both GS and Economic Studies, is leading the inquiry into SARS using modeling techniques—mathematical and computational simulations of economic and social

FORREST MCCORMACK

interactions—as part of a broader joint effort with epidemiologists at Johns Hopkins. They have already modeled smallpox policy for D.A. Henderson, the director of the newly created Council on Public Health Preparedness, part of the Department of Health and Human Services. “Josh and I are in the process of developing a broader public health agenda for his models of infectious diseases,” Graham says, adding that this agenda would dovetail with Brookings’s broader effort to launch a public health center.

Senior fellow William T. Dickens, who is affiliated with both Economic Studies and Governance Studies, is trying to determine whether sharp increases in average IQs over the past century are due to improvements in cognitive skills or in people just getting better at taking tests. Since IQ is closely tied to individual earnings and productivity, real changes in cognitive ability—and identification of the causes—could open the way to greater economic growth.

Yet while GS’s mandate has grown, the program has remained committed to its core mission of conducting top-quality research on politics and public institutions and applying that research to everything from welfare reform to deregulation to the role of the courts. The expertise of Governance Studies scholars has made them indispensable sources for the news media and other government watchers. What would election day in Washington be without Tom Mann and Steve Hess commenting on the results of elections around the country?

Sarah A. Binder’s book *Stalemate: Causes and Consequences of Legislative Gridlock* has been widely praised for its innovative analysis and high-quality research. In com-

ing months, Binder will turn to the topic of politics and the process of judicial selection. E.J. Dionne will organize public forums on the role of religion in U.S. foreign policy, exploring why so many Europeans view Americans as religious fanatics. Together with Kayla Drogosz and Robert E. Litan, Dionne edited *United We Stand: National Service and the Future of Citizenship*, a compilation of evidence for and against public service. Dionne also teamed with Mann to edit an issue of the *Brookings Review* on “Polling: The Good, the Bad and the Ugly.”

Mann published *Inside the Campaign Finance Battle*, a book that summarizes the expert testimony—including his own—from the court case that recently upheld the Campaign Reform Act. He will launch a major project to study the ramifications of restricting on competition and partisanship. Senior fellow Paul C. Light wrapped up his Volcker Commission stint as the lead writer on the commission’s report “Urgent Business for America.” Now working half-time at New York University, he is continuing to research the true size of government.

Under Light’s direction, Brookings commissioned a survey of 1,000 college seniors to find out how they viewed public service. The results were presented at a briefing at the National Press Club, where they were discussed by Secretary of Defense Donald Rumsfeld and Paul Volcker, chairman of the National Commission on the Public Service. The survey found that many members of the class of 2003 were interested in public service, especially in the nonprofit sector. Government was their second choice, with contract firms a distant third. The students believed that it would be more

difficult and time-consuming to find work in government than in other areas of public service.

Pietro S. Nivola published *Tense Commandments: Federal Prescriptions and City Problems*, which examined the fiscal and administration effects of federal mandates on city government—a subject of particular relevance given the current financial crisis in the local public sector. R. Kent Weaver is finishing a Brookings book on policymaking differences between the United States and Canada, and is researching lessons from abroad on Social Security. Visiting fellow Mary Graham has added a valuable dimension to coverage of domestic policy issues with her research on public access to information, which she is now studying in relation to national security concerns. She also published

*Democracy by Disclosure: The Rise of Technopopulism*, which shows that information itself can improve the lives of ordinary citizens. Working with Ann Florini, who joined Brookings a year ago, Graham is examining the national and international implications of greater information transparency.

The Governance Studies program aims to build on its broader agenda by bolstering its research into corporate governance with the participation of Economic Studies. Carol Graham and Litan wrote a paper on the economic cost of the corporate scandals and their effect on governance beyond U.S. borders. Summarized in a Brookings policy brief, the paper was excerpted in the *Financial Times* and published in full in the *Milken Institute Review*. Litan and other scholars also published a

Carol Graham, vice president for Governance Studies, favors “a very broad agenda”

ROBERT VINSER/PHOTOPRESS WASHINGTON



## Sawhill and Haskins: How to Reform Welfare

**R**on Haskins and Isabel Sawhill have served in high-level political positions. Haskins, who spent 14 years as a staffer for Republican congressional committees, recently worked with President Bush as a senior adviser on welfare policy. Sawhill worked as an associate director at the Office of Management and Budget during the Clinton administration, with responsibility for domestic social programs.

However, on a topic that frequently separates the parties—welfare reform—Haskins and Sawhill have found common ground and, in the process, have formed a unique, powerful, and influential partnership.

Together, they are co-directors of the Welfare Reform & Beyond Initiative, a program founded in 2000 to inform policymakers about the implications of existing and new research on the best way to assist low-income families.

“For us—of all people—to do things together makes people listen,” says Haskins.

Washington is indeed listening. Sawhill and Haskins’s analysis has become required reading for policymakers dealing with the complexities of antipoverty policy. Representative Michael Castle (R-Del.), a member of the Committee on Education and the Workforce, cited their policy brief on Head Start as a major influence on his own bill.

“They have created research studies that are forthcoming and have dramatically changed the focus of these issues,” Castle says. “Their policy brief was a useful resource for me during the reauthorization of one of our nation’s most treasured programs.”

Haskins and Sawhill’s ability to sort through ideological differences and reach a consensus has set an example in a town known for political bickering.

“I’d like to think,” says Sawhill, “that what we do best is challenge commonly held assumptions and come to fresh conclusions. What benefits both of us is having another person around who is willing to critique our initial ideas.”

Haskins, whose energy and Marine background earned him the nickname “Machine Gun Ron” on the Hill, attributes his willingness to compromise to diverse experiences in politics and research. While working for the late Senator Paul Simon (D-Ill.) on welfare issues, Haskins got “an indoctrination in what the liberal mind is like.” Later, as a professor at the University of North Carolina at Chapel Hill, “scholarly experience pre-

pared me, more than anything else, for being wrong. Research tells you that you’re wrong and makes you humble.”

Sawhill agrees that research is liberating. “Washington is obsessed with politics. I prefer to think about substance and let the chips fall where they may.”

This year, they collaborated on two Brookings policy briefs, “Work and Marriage: The Way to End Poverty and Welfare” and “The Future of Head Start.” Haskins published an additional policy brief with Paul Offner, titled, “Achieving Compromise on Welfare Reform Reauthorization.” Sawhill edited *One Percent for the Kids: New Policies, Brighter Futures for America’s Children*, a book that analyzes the implications for U.S. policy of British Prime Minister Tony Blair’s decision to set aside nearly 1% of British gross domestic product to address child poverty.

“Both of us have a high level of respect for both the research and each other’s integrity,” says Sawhill. With a laugh, she adds, “That doesn’t mean we always agree.”

Ron Haskins: “For us—of all people—to do things together makes people listen”

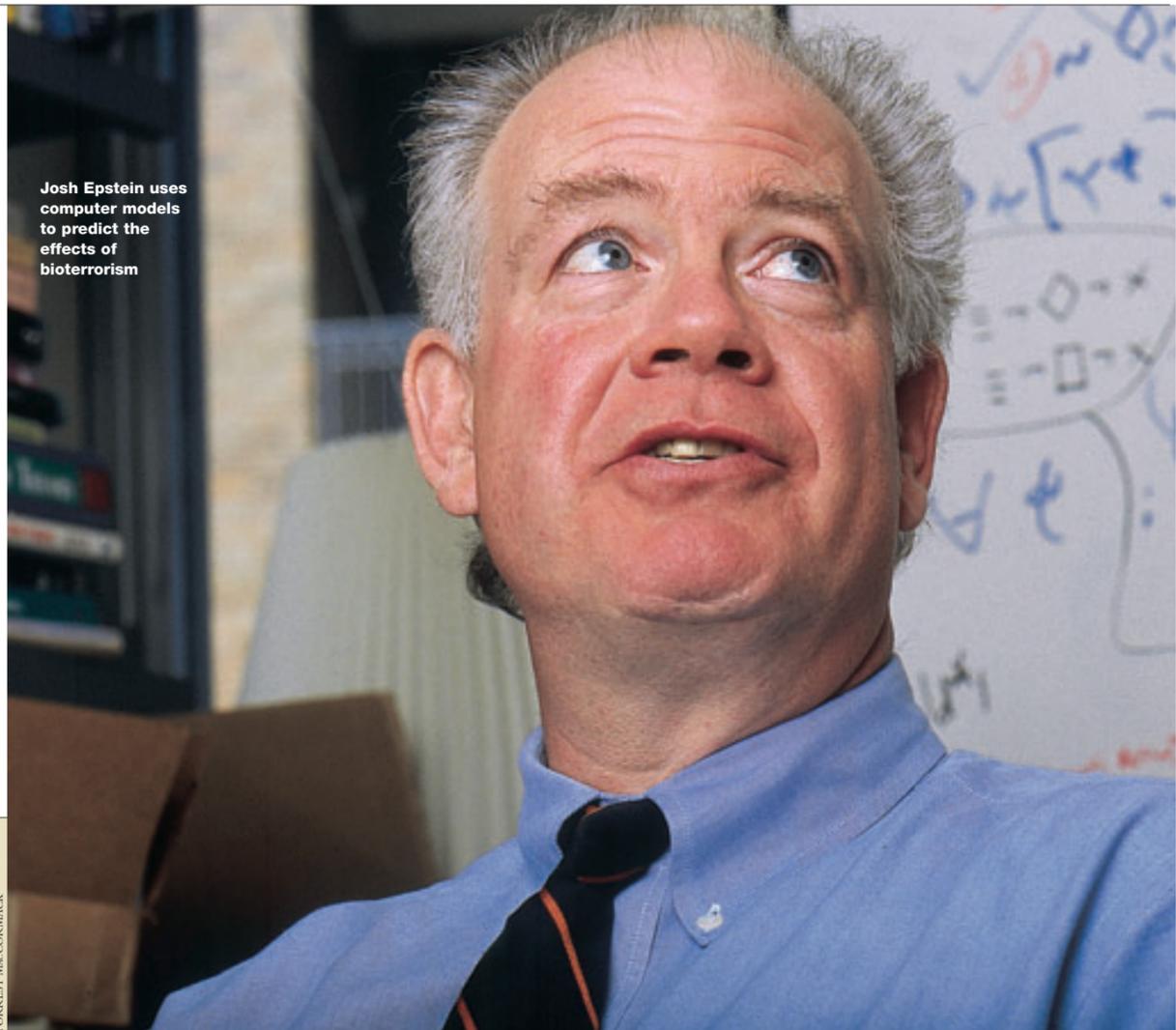
GARY LANDSMAN



book on corporate governance in the financial sector, titled *Following the Money: The Enron Failure and the State of Corporate Disclosure*. And finally, Larry D. Thompson, a former deputy attorney general under President George W. Bush, joined Brookings as a joint visiting fellow in Economic Studies and Governance Studies. While in government, he led efforts to fight terrorism and crack down on corporate crime.

The Global Poverty Reduction Initiative is up and running thanks to a generous grant of \$2 million from Richard C. Blum, chairman of Blum Capital Partners, L.P., San Francisco and husband of California Senator Dianne Feinstein (see p. 37). Lael Brainard played a leading role in GS's multi-pronged examination of the Millennium

Josh Epstein uses computer models to predict the effects of bioterrorism



## “Skunk Works”

FORREST MACCORMACK

Walk into Joshua Epstein's office and you are immediately struck by two things: its chaotic condition and the dry-erase board on the wall behind him that is covered with mathematic computations trailing off in every direction.

This is the home of what might be called “Josh Epstein's Skunk Works.” He is an expert in modeling complex social systems, a field that Epstein admits is “not the standard fare” in policy circles.

Epstein uses computerized agents to represent “cyber people” who differ from one other in myriad ways, including age, wealth, economic preferences, health, political orientation, and social network. The responses of the agents to different situations are often disorderly and unexpected. Epstein monitors those reactions and uses the agents' behavior to understand major societal breakdowns and to anticipate problems that may lie ahead. He then devises novel policy options to deal with these climactic events.

Given the nature of Epstein's office, it's no surprise that he feels right at home with the chaotic qualities of agent-based modeling.

Epstein recently gained public attention when he and Johns Hopkins professor Don Burke created a smallpox model that impressed D.A.

Henderson, director of the Health and Human Services Council on Public Health Preparedness, the principal body advising HHS Secretary Tommy Thompson. The model graphically illustrated the effects of bioterrorism in a hypothetical U.S. county.

“They put together a very imaginative model and scenario of a smallpox outbreak that permits us to carefully look at how a smallpox outbreak might move through a community,” Henderson says. “What is especially notable about the Epstein-Burke model is that it can be more readily understood by the nonstatistician because of its visual depiction. As a result, it is more readily accepted as a tool in policy formulation. Josh's eloquence and clarity of exposition obviously help that.”

Epstein has since advised Henderson on several occasions and remains on retainer as HHS continues to develop vaccination strategies in case of biological attack. Epstein's work earned him membership on a high-level policy committee of the National Academy of Sciences.

“After the anthrax scare,” says Epstein, “we could have joined the chorus of talking heads on bioterrorism. However, we took a long-term view, and our investment in a solid model has given us credibility and policy influence at the highest level and long-term access to the crucial decisionmakers. That's what Brookings is all about.”



Sarah Binder, an expert on legislative gridlock, testifies before the Senate Committee on Rules and Administration

ROBERT VYSSEK/PHOTO PRESS WASHINGTON

Challenge Account (MCA)—the Bush administration initiative to use quantitative indicators to direct foreign assistance. *The Other War: Global Poverty and the Millennium Challenge Account*, a book by three Brookings scholars and two from the Center for Global Development, was posted on the Brookings website in April 2003, in time to provide a baseline of research before the congressional debate on the MCA.

In other poverty-related studies, Susan Rice is examining public discontent in the failed states in Africa, and Clifford Gaddy and Fiona Hill are researching the causes and consequences of poverty in Russia and the former

Soviet republics. Gaddy and Hill published *The Siberian Curse*, which describes the enormous economic cost to Russia of diverting people and resources to its icy frontier.

Carol Graham and Susan Collins, a senior fellow in Economic Studies, will edit the next edition of *Brookings Trade Forum*, which will focus on globalization, poverty, and inequality. And thanks to the efforts of Graham and senior fellow Michael Kremer, Brookings has become the host for meetings of the Bureau of Economic Analysis for Development (BREAD), which will bring leading development experts from around the world to the Institu-

tion on a regular basis. Kremer also is continuing his work on education in developing countries as well as his research on third-world disease and vaccination, most recently published in the *American Economic Review*. Graham's work on public frustration and the need for more sustainable safety nets in developing countries has been written about in many publications, including the *New Scientist* and the *Financial Times*.

Ann Florini's Governance Scorecard project, a joint effort by Brookings and the World Economic Forum that will be presented annually at Davos, ranks different actors in the world community in their efforts to meet the UN-sponsored Millennium Development Goals. These include halving world poverty by the year 2015, as well as improving health, education, and governance in poor countries. Using computer models, Robert Axtell and Paul Masson are studying crises and contagion in financial markets and attempting to develop new warning indicators that could help financial institutions anticipate



Senator John Kerry speaks on the future of U.S. operations in Iraq

RALPH HUI SWANG

stark changes in markets. Jean O. Lanjouw is researching how modest alterations in intellectual property rights law could hasten new incentives for pharmaceuticals to produce drugs for poor countries. In an unprecedented workshop on Capitol Hill, she brought together top academics in the areas of public health and patent law with representatives of pharmaceutical concerns and non-governmental organizations.

**Brown Center on Education Policy**

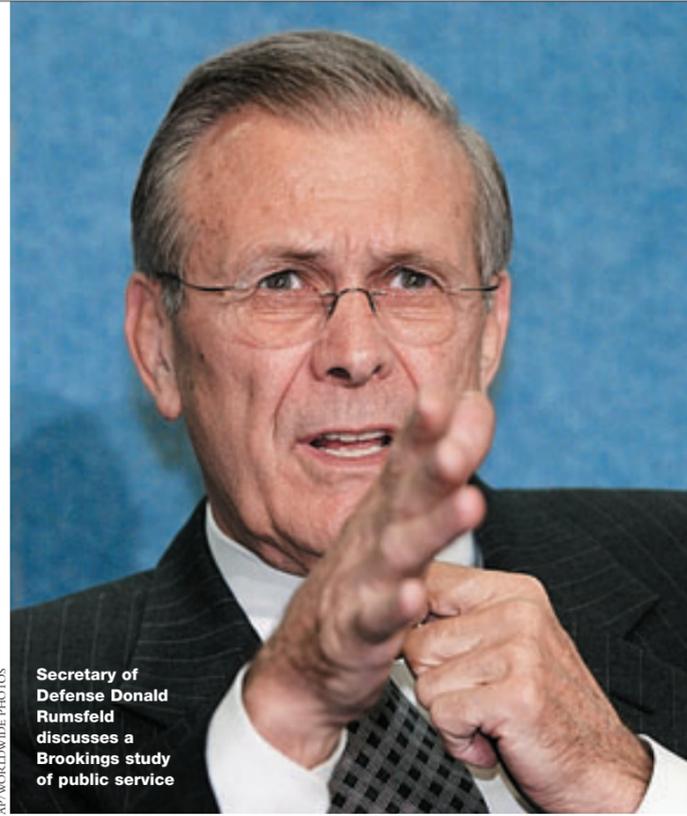
Tom Loveless and his team at the Brown Center on Education Policy have highlighted trends in achievement, rural schools, and charter schools in their annual report on education. Its release coincided with the report of the

National Working Commission on Choice in K-12 Education. This year's report included the results of the center's research showing that, contrary to the received wisdom, U.S. students are not doing more homework than in the past. The study's release was covered extensively by virtually all of the major newspapers in the country.

**Center for Public Service (CPS)**

Directed by Paul Light, the CPS has begun to research the state of the public workforce in social services. It has completed a study of child welfare, juvenile justice, child care, youth services, and unemployment and training workshops worldwide. The study found that the workforce is highly motivated but that there is a vast gulf

AP/WIDEWORLD PHOTOS



Secretary of Defense Donald Rumsfeld discusses a Brookings study of public service



Senator John Edwards, during his campaign for president, outlines his plan for homeland security

between what it is asked to do and how it is equipped for the task. Much as this workforce would like to forge positive change, it is straining to keep up with its basic responsibilities because of limited resources and incentives.

**Center on Social and Economic Dynamics (CSED)**

In addition to Joshua Epstein's work on epidemics and Robert Axtell's on financial markets, CSED is involved in projects that develop new analytical approaches to study complex social and economic phenomena. A new project, led by CSED co-director Peyton Young, models the impact of peers on teen smoking and on adult willingness to give up the habit. In another CSED project, Clifford Gaddy is looking at Russian cities and the problems of their locations and the effects of a cold climate on the introduction of market economies. ■

# Interdisciplinary Research: Reducing Global Poverty

The gap between those living in the world's poorest countries and those in the rapidly growing world economy is large and growing larger," says Carol Graham, director of the Global Poverty Reduction Initiative.

The mission of the initiative is bold: to analyze the causes of global poverty and recommend improvements or alternatives to current economic, domestic, and foreign policies to reduce poverty among the world's poorest people.

The initiative is supported by a \$2 million pledge from Richard C. Blum, a Brookings Trustee and chairman of Blum Capital Partners, L.P., in San Francisco. Working with Graham are more than a dozen Brookings scholars from a wide range of disciplines.

One of the first major undertakings of the initiative was a study of the Millennium Challenge Account (MCA), President Bush's proposed multi-billion dollar expansion of the U.S. foreign aid program. The study, headed by Brookings senior fellow Lael Brainard, was jointly conducted by Brookings and the Center for Global Development. Its findings were elaborated in *The Other War: Global Poverty and the Millennium Challenge Account*, which offered recommendations for improving the distribution and delivery of foreign aid.

The book was designed to affect congressional consideration of the MCA legislation, and it did. Brainard and other authors of the study held briefings on their findings on Capitol Hill and consulted with members

of Congress and their staffs. Some of the recommendations are reflected in the final wording of the legislation.

"The legislation has the potential not only to help the poorest countries combat global poverty and move toward growth," says Brainard. "It also can shape the face that the United States presents to the developing world at a critical time."

Other accomplishments of the Global Poverty Reduction Initiative include nonresident senior fellow Jean O. Lanjouw's widely publicized proposal to change patent laws to encourage the manufacture and sale of disease-fighting drugs in poor countries while protecting the intellectual property rights of patent holders. Lanjouw organized a meeting on Capitol Hill with legal and economic experts, representatives of major pharmaceutical companies, and staffers from non-governmental organizations (NGOs). As a result of the meeting, Lanjouw was invited by drug manufacturers and NGOs to discuss prospects for implementing her proposal.

A number of policy briefs were written by scholars associated with the Global Poverty Reduction Initiative. Shang-Jin Wei and Heather Milkiewicz examined the effects of corruption on financial market volatility in "A Case of 'Enronitis'? Opaque Self-Dealing and the Global Financial Effect." Brainard and Allison Driscoll wrote "Making the Millennium Challenge Account Work for Africa." In a related policy brief, "Africa's Economic Morass—Will a Common Currency Help?" Paul Masson and Milkiewicz concluded that an African currency union will not solve that continent's growth and poverty problems.

Graham participated in a workshop of the World Bank and the United Kingdom's Development Agency on new methods to measure poverty trends in the developing world. She discussed the effects of economic growth on the reported well-being of the middle class and near poor in Latin America, among whom she found a remarkable amount of latent frustration. Her findings were featured in the *New Scientist* magazine.

The Globalization and Inequality Group, jointly chaired by Graham and Nancy Birdsall of the Center for Global Development, convened eight meetings of experts to discuss the effects of globalization on inequality. Topics included the uneven impact of globalization on various countries and how financial crises contribute to poverty.

Michael Kremer, another member of the team of scholars working on the Global Poverty Reduction Initiative, focused on Kenya, where he used randomized trials to test the effectiveness of various interventions to improve school performance. His novel approach and findings have received attention from development agencies and international financial institutions.

Major future activities by the Initiative will include a book by Colin Bradford, former chief economist at USAID, offering ideas for future U.S. policy based on long-term economic, cultural, and development trends.

Guest scholar Lex Rieffel's recent policy brief, "Reconsidering the Peace Corps," which explored various possibilities for expanding the role of the organization, will serve as the basis for a Brookings-sponsored meeting of directors of volunteer agencies from a number of countries to discuss the potential for pooling efforts.



Lael Brainard headed a study that offered recommendations for improving the distribution and delivery of foreign aid

FORREST MACCORMACK



Gary Burtless embarked on a broad analysis of pension reform in the major industrialized countries

# Economic Studies

O

ne of America's most fundamental policy challenges is how to allocate its resources to meet its needs. The budget deficit is wide and growing, with grave ramifications for the economy and the nation's ability to meet its obligations at home and abroad. At the same time, larger forces—globalization, rapid advances in technology, unprecedented immigration, and the aging of the population—will significantly affect the U.S. economy in the next 10 years and beyond.

Meeting these challenges will require the best in independent research, and the Economic Studies program is well positioned to provide it. ES's 25 senior scholars study issues ranging from domestic social policy to international economic trends. "We are living in a time of rapid economic change," says Isabel Sawhill, director of Economic Studies, "and ES scholars are equipped to offer innovative policy recommendations reflecting their varied expertise and viewpoints."

Tax and budget-related issues will be critical to economic growth during the next decade, and the Urban-Brookings Tax Policy Center (TPC) has become a leading source for rigorous, independent analysis of tax policy options (see box, p. 24). At the same time, ES is developing an ambitious budget project, led by Sawhill and senior fellow Alice Rivlin, that would create three fiscal plans: one that emphasizes tax increases, one that emphasizes spending cuts, and one that strikes a balance between the two. "These three options should help spur informed, honest debate about the possible solutions," Sawhill says.

In addition to creating fiscal order, the country must adopt regulatory policies that protect citizens without incurring social costs that exceed their social benefits. The AEI-Brookings Joint Center for Regulatory Studies plays a key role in helping lawmakers understand the impact of regulation on citizens and the economy (see box, p. 27).

Economic Studies scholars are addressing a number of issues that will affect the well-being of many, if not most, Americans, and ES has

## Urban-Brookings Tax Policy Center

Tax policy has returned to the top of the nation's domestic agenda. The Bush administration's enthusiastic pursuit of lower taxes has stimulated new interest in the effects of tax policy on the economy, the budget, and the distribution of income. Continued bipartisan efforts to use the tax code to promote various activities—from personal saving to higher education to health insurance—have broadened the tax policy agenda. Projected budget shortfalls make tax and spending changes both more important and more difficult for policymakers and citizens.

As the reach and influence of tax policy expand, the need to clarify the nation's choices and their likely effects grows apace. The Tax Policy Center, a joint venture of Brookings and the Urban Institute, aims to provide objective and accessible information and commentary to help policymakers, journalists, citizens, and academics identify and evaluate emerging policy options.

Created in 2002, the center is directed by Brookings scholars William Gale and Peter Orszag and Urban Institute senior fellows Leonard Burman and Eugene Steuerle. The center's affiliated Brookings staff includes some of the nation's most respected tax and budget policy experts, including Henry J. Aaron, Bill Frenzel, Ron Haskins, Mark Ivry, Alice Rivlin, and Isabel Sawhill.

The Tax Policy Center offers a coordinated program with twin emphases on developing information through research and analysis, and disseminating that information through communication and outreach. The TPC focuses on four critical areas: fair, simple, and efficient taxation; the long-term implications of tax policy choices; the growing use of social policy in the tax code; and state tax issues.

"The growing links between tax and budget policies in recent years have made it increasingly important to consider the full ramifications of tax choices," says Orszag.

A key element of TPC efforts is a large-scale model of the U.S. tax system, which the center uses to offer real-time and widely cited estimates of how new proposals affect tax burdens on individuals and families.

"One of the first questions people have about any tax proposal is who wins and who loses. The tax model lets us answer those questions in a timely, reliable manner that can be easily communicated to the public," Gale says.

The center also provides policy briefs, discussion papers, public symposia, congressional testimony, regular columns, and Tax Facts, an online database containing information about the federal, state, and international tax systems. Information on TPC analyses and events is distributed to several thousand people via an electronic newsletter. All of the TPC's work is published online at [www.taxpolicycenter.org](http://www.taxpolicycenter.org), which can be accessed on the Brookings website.

## ECONOMIC STUDIES



Isabel Sawhill, vice president for Economic Studies, discusses funding for social programs

ROBERT VINSER/PHOTO PRESS WASHINGTON

pioneered research in these areas. Senior scholars William Gale and Peter Orszag are experts on the U.S. system of pensions and tax-preferred saving (see box, p. 25). In a chapter on pensions in *Agenda for the Nation*, published in 2003 by the Brookings Institution Press, they explore the shortcomings of the current pension system and propose expanded pension benefits for lower- and middle-income households, improved incentives and opportunities to diversify investments, and increased financial education. Orszag is the director of a new Pew-funded project on retirement security that will explore ways of raising retirement saving among moderate-income

households. He and Gale are co-directors of the Tax Policy Center.

Senior fellow Gary Burtless has embarked on a broad analysis of pension reform in the major industrialized countries, including Germany, Japan, and the United States. His most recent work focuses on the implications of partially replacing public defined-benefit systems, such as Social Security, with private defined-contribution accounts, such as 401(k) plans. This kind of reform, already adopted in several countries, offers the promise of better returns for workers who are savvy investors. On the other hand, it can boost the riskiness of pensions, especially in countries, such

as Japan, where investment returns have historically been extremely variable.

Many complex domestic health-care problems urgently need attention. Among them are how to insure more than 40 million uninsured Americans; how to deal with the consequences of rising health-care costs; and how to ensure the solvency of Medicare. As senior fellow Henry J. Aaron said at a fall 2003 conference to unveil *Agenda for the Nation*, "No single issue that government and the private sector face poses problems that are as technically difficult, as morally challenging, as economically consequential, and as freighted with glorious opportunities for improving people's lives as management of the health-care revolution that will sweep over the nation in the coming decade."

To address this issue, ES is exploring the creation of a Center on Health Policy. This center would both fill a void in the policy world and would build on the health-care policy expertise reflected in the ongoing research of Aaron, Michael Kremer, and others. Aaron will look at alternative designs for the current health-care system and ways that the federal and state governments can share the burden of health-care coverage costs. In particular, he will analyze how rationing—which he believes is inevitable—might be achieved in a way that would ensure fair access, a topic likely to be intensely debated in coming years as Congress is forced to deal with the current situation.

Under Sawhill's direction, the Children's Roundtable initiative examined policies to improve the life prospects of America's chil-

dren and published its findings in *One Percent for the Kids*. Partnering with Ron Haskins, Sawhill has been analyzing policies aimed at improving the lives of low-income families with children (see box, p. 17). In a policy brief published this fall, Haskins and Sawhill look at how personal behavior and opportunity affect these families. "If people did a few things—graduated from high school, got a job and delayed having a baby until they married, our analysis shows that would eliminate a huge chunk of poverty in this country," Sawhill says. "And that would be far more effective than anything we could do through the welfare system alone."

Also on the domestic front, the Center on Urban and Metropolitan Policy (informally known as the Urban Center) has been one of ES's major successes during the past six years. Directed by Bruce Katz, the center has developed a unique network of national, state, and local leaders who both inform and learn from its work (see box, p. 28).

Looking at America's place in

## Gale and Orszag: Quick off the Mark

At a meeting of the Brookings Trustees in June, Peter Orszag presented a sharp critique of the Bush administration's tax cut proposal and then, at the prompting of Board Chairman John Thornton, offered an equally dazzling defense of the plan.

"My experience in government underscored the value of looking at the issues from all sides," says Orszag.

Recognizing Orszag's ability to cut to the heart of complicated economic issues, senior fellow William Gale, who is deputy director of the Economic Studies program, worked hard to bring him to Brookings and acted as his mentor once he arrived.

As co-directors of the Tax Policy Center, a joint project of Brookings and the Urban Institute, Orszag and Gale have become leaders in real-time analyses of major tax changes. In January, the center used its microsimulation model of the U.S. tax system to post its analysis of President Bush's annual economic plan even before the administration had a chance to make its case.

Before coming to Brookings, Gale was an assistant professor of economics at the University of California at Los Angeles and a senior staff economist for the Council of Economic Advisers during the first Bush administration. Orszag previously served in the Clinton administration as special assistant to the president for economic policy, senior economist, and senior adviser on the president's Council of Economic Advisers, and as an economic adviser to the Russian government.

In the past year, Gale and Orszag collaborated on policy papers, journal articles, and a regular column—"Tax Breaks"—in *Tax Notes* magazine. Between them, they testified before Congress nine times.

"Their scholarly work on the effect of deficits on interest rates made a serious difference in the national debate on this issue," says former Treasury Secretary Robert Rubin. "Since they operate at the intersection of academia and public policy, their analysis is more relevant in the policy world, making them important participants in the national policy process."



Peter Orszag, left, and Bill Gale: "Important participants in the national policy process"

FORREST MACK/MACK

the world, the Economic Studies program embarked on several ambitious research projects. Senior fellows Lael Brainard and Robert E. Litan, in a report published as a chapter in *Agenda for The Nation*, described America's key priorities for regaining leadership in the international economy and explained how these initiatives could be coherently integrated in trade, global poverty, and international finance. These recommendations are part of a broader project by Brainard comparing how U.S. international economic power is

used during times of high tension (the cold war, the war on terrorism) with how it is employed when security concerns are not as urgent. Her study probes an important question: Will bilateral economic arrangements based on foreign policy considerations undermine more important multi-lateral and regional liberalization efforts?

Viewing President Bush's call for a new \$5 billion-per-year foreign aid program as a rare and important opportunity to shape America's global poverty agenda,

Brainard also headed a project with an interdisciplinary team of scholars to create a blueprint for the new program. *The Other War: Global Poverty and the Millennium Challenge Account* went from conception to publication in a matter of months and is credited by policymakers in both parties as measurably influencing the congressional legislation for turning the president's vision into a concrete program.

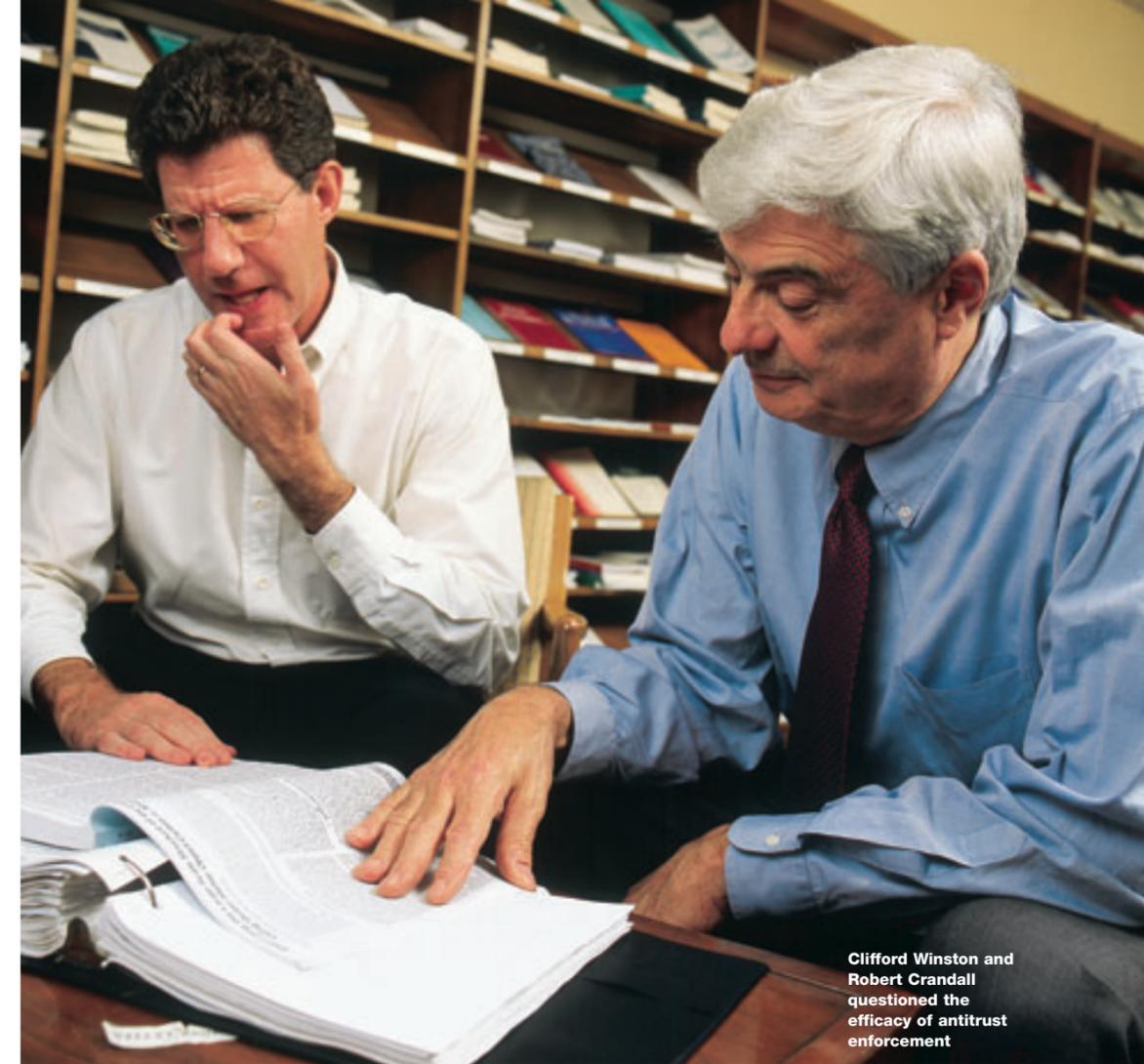
The world economy has been severely shaken by a number of crises in international financial markets. Typically driven by a sud-

den collapse of confidence in the policies of a particular country, such crises create panic among international investors, spreading financial turmoil to other countries. The resulting massive outflows of short-term capital from emerging-market economies cause major disruptions even in countries whose fundamental policies are sound. In a joint project by ES and Governance Studies, Robert Axtell and Paul Masson are using computer models developed by the Center on Social and Economic Dynamics (co-directed by



Barry Bosworth and Susan Collins showed how growth requires capital accumulation, education, and strong institutions of governance

FORREST MACCORMACK



Clifford Winston and Robert Crandall questioned the efficacy of antitrust enforcement

FORREST MACCORMACK

## AEI-Brookings Joint Center for Regulatory Studies

Five years ago, when Robert Litan co-founded the AEI-Brookings Joint Center for Regulatory Studies with Robert Hahn of AEI, the two scholars were eager to fill a vacuum in the field of consumer, business, and government regulatory issues.

"Before the Joint Center started," says Litan, "there were few places to which experienced analysts, the public, or the media could turn for hard-edged, quality research on regulatory issues." Litan, who is the center's director, recently moved to Kansas City to serve as the vice president of the Kauffman Foundation. He has maintained his relationship with Brookings as a senior fellow.

The center has become what Litan calls "the premier locus for research and timely commentary on federal and state regulatory issues in the country." The cost of these regulations can reach \$400 billion annually, and the center has provided timely, objective research on the need, cost, and impact of these rules, suggesting reforms when the rules prove too burdensome or ineffective. This year, the center hosted 10 conferences on regulations affecting everything from telecommunications to medical care.

The Joint Center's website ([www.aei-brookings.org](http://www.aei-brookings.org)) has become a one-stop source for information on regulatory issues. The backbone of the site is the large collection of material put out by the center, including regulatory analyses, working papers, congressional testimony, "Policy Matters" papers, books, speeches, and a daily regulation report.

Carol Graham and Peyton Young) to identify both new warning indicators to help financial institutions anticipate crises and new policies to dampen their effects.

Barry Bosworth and Susan Collins examined the sources of economic growth using data for 84 countries that represent 95 percent of world GDP. Their work highlighted the importance of capital accumulation, education, and strong institutions of governance as important contributors to growth. Bosworth and Collins are also initiating a study of capital flows to emerging-market economies and the linkages between international capital flows and economic growth.

Robert Crandall and Clifford Winston continued to examine issues relating to industrial organization and regulation. They co-authored a provocative piece in the *Journal of Economic Perspectives* that questioned the efficacy of antitrust enforcement by the Justice Department. Crandall wrote extensively on broadband's future and co-edited *Broadband: Should We Regulate High Speed Internet Access?* He and Robert Litan are also examining ways to improve broadband access for consumers. Winston published several papers dealing with FTC advertising regulation and the effectiveness of air traffic control, and he delivered the Beesley Lecture at the London Business School at

the University of London, titled, "Government Failure vs. Market Failure."

The Brookings Trade Forum held its sixth annual conference and published a volume, co-edited by Susan Collins and Dani Rodrik of Harvard University, addressing front-line issues in international trade and macroeconomics. Three of the papers examined implications for developing countries of increased exposure to the global economy. Other papers focused on the implications of high external debt for growth and possible resolutions. The theme of the 2004 Brookings Trade Forum will be "Globalization, Poverty and Inequality." It will be co-organized by Economic Studies and

# Center on Urban and Metropolitan Policy

Governance Studies and co-edited by Collins and Graham.

The *Brookings Papers on Economic Activity (BPEA)* continues to bring together the best economists to identify and anticipate national and international economic issues and provide practical recommendations for dealing with them. Edited by George Perry and Bill Brainard of Yale University, *BPEA* recently proposed innovations for dealing with sovereign debt problems and examined how debt crises relate to fiscal policies in developing countries. Perry, in collaboration with senior fellow William Dickens and Nobel-prize winning economist

George Akerlof of the University of California–Berkeley, has published path-breaking analyses on the interplay between unemployment and inflation that challenge conventional models of the macroeconomy. The scholars found a long-running relationship between inflation and unemployment, with unemployment lowest when inflation was between 2 and 4 percent. Dickens, along with the European Central Bank and researchers in 13 countries, is pursuing related research for several industrialized nations whose macroeconomic policies and performance directly affect U.S. economic health. ■



Former OMB director Alice Rivlin worked with Isabel Sawhill on the alternative budget project

FORREST MACCORMACK

Newspaper headlines across the country on May 18, 2003, announced an unexpected trend: After several decades of soaring poverty levels, the number of Americans living in high-poverty neighborhoods declined by a dramatic 24 percent—or 2.5 million people—in the 1990s. That finding, drawing on data from the 2000 Census, emerged from a study by the Brookings Institution’s Center on Urban and Metropolitan Policy. In the days that followed, talk shows and news programs buzzed with opinions on the change. “It reflected a stunning reversal,” recalls Bruce Katz, the center’s director. “And it represented at least in part the triumph of smart federal policies that cleared away failed public housing schemes, overhauled welfare and rewarded work.”

The center’s ongoing analysis of the 2000 Census has produced 23 profiles of individual cities in America, from a “brain gain” city such as Seattle to a “brain drain” city such as Cleveland. Those profiles and other studies by the center have brought into relief the difficulties and the potential for reviving cities. “Even after building the stadium, the hotels, and the convention centers, a city can lose population,” says Katz. “A pack of cities is racing away from everybody else in terms of their ability to attract and retain an educated workforce. It is a sobering trend for the cities left behind.”

The center has also used Census 2000 data to examine the impact of immigration on metropolitan communities, and will expand its work with governors and state legislators on using state tax, land use, infrastructure, economic development, and housing

policies to shape more competitive and fiscally and environmentally sustainable growth patterns. In collaboration with the Pew Hispanic Center, it published *Latino Growth in Latin America: Changing Patterns and New Locations* by visiting fellow Audrey Singer and Roberto Suro, head of the Migration Policy Institute. It partnered for a second time with William Frey of the University of Michigan Population Studies Center and the Milken Institute to publish *A Decade of Mixed Blessings: Urban and Suburban Poverty in Census 2000*. The center also inaugurated the first book in its Census 2000 series, *Evidence from Census 2000*, edited by Katz and Robert Lang, the director of the Metropolitan Institute at Virginia Tech in Alexandria, Va.

An initial grant from the Fannie Mae Foundation sparked the creation of the center in late 1996. It has become a \$4 million-a-year operation with a mandate to change the way key decision-makers and leaders think about metropolitan areas, cities, and neighborhoods, and the connections between them. “Demographic change and market restructuring are giving American cities a second chance,” Katz says, “and policies at all levels of government need to adjust to this new reality and leverage the substantial assets of our older communities.”

The center has ambitious plans to increase its efforts in all three of its major research initiatives:

- **The Metropolitan Initiative** is focused on how to strengthen metropolitan areas by curbing sprawl and sparking development in established parts of the region, particularly central cities and suburbs. Using a mixture of market, demographic, and policy trends

to guide its research, the center is eagerly examining transportation issues in preparation for the reauthorization of federal transportation law. Preliminary work on the subject this year culminated in a conference in Racine, Wisconsin, where center scholars and other urban specialists from throughout the country developed a long-range program of meetings, policy briefs, and discussion papers to provide policymakers, practitioners, and the media with a comprehensive guide to the issues that will take center stage during the reauthorization process.

- **The Central City Initiative**, in partnership with CEOs for Cities, worked on defining and implementing an ambitious agenda for urban land reform. In October, the center published *Ten Steps to Urban Land Reform* by Paul Brophy—a

principal at Brophy and Reilly, a firm specializing in urban community redevelopment—and Jennifer Vey, a senior research analyst at the center. The book details how cities can redevelop vacant or abandoned properties. The center also released a companion paper by John Kromer, a professor at the Fels School of Government at the University of Pennsylvania, on land reform in Baltimore and Philadelphia. In the upcoming year the initiative will provide practical recommendations on how to compete for jobs and talent in the new economy, analyze how cities can redevelop vacant properties, and assess the impact of major economic forces such as globalization and technology on cities and metropolitan areas.

- **The Neighborhood Initiative** is scrutinizing the Earned

Income Tax Credit (EITC), affordable housing, and the reauthorization of the transportation act. The center published a paper in January 2003 comparing the spatial distribution of the EITC in 27 U.S. cities and towns. It is currently preparing a study that will show, for the first time, the spatial allocation of the EITC in the 50 states. Looking ahead, the Neighborhood Initiative will focus on the challenges of the urban poor and low-income working families, both in cities and in older suburbs, and examine how the growing concentrations of working families shape local responses to poverty and work-linkage strategies. It will push for policies that revitalize inner-city economies through enhanced investments in working families.

The center also is extending its relationship with urban policy scholars abroad. In fall 2002, Katz traveled with five U.S. urban studies experts to the United Kingdom and met with government, corporate, and academic leaders. In April 2003, Katz spoke at a London conference on “Strategies for an Inclusive Urban Renaissance.” In a new development, the center and the London School of Economics are establishing a joint project for comparative urban research. The project will examine the demographic and market forces shaping the American and British metropolis today and identify government policies that help communities in both countries address major economic, social and development challenges. “This joint effort will help us at the center to think deeply about what we do in America, and how we do it. It is incredibly stimulating,” Katz says. ■



Bruce Katz: “Democratic change and market restructuring are giving American cities a second chance”

FORREST MACCORMACK

# The Brookings Institution Press

Books add a solid, scholarly underpinning to the academic research and analysis of our Brookings scholars," says Robert L. Faherty, vice president and director of the Brookings Institution Press.

"While the scholars regularly disseminate their conclusions via op-ed articles, television and radio interviews, short papers, and direct presentations to policymakers, books give credibility to their work," Faherty adds. "Decision-makers can rely on the recom-

mendations in Brookings books because they have gone through the rigid academic review process."

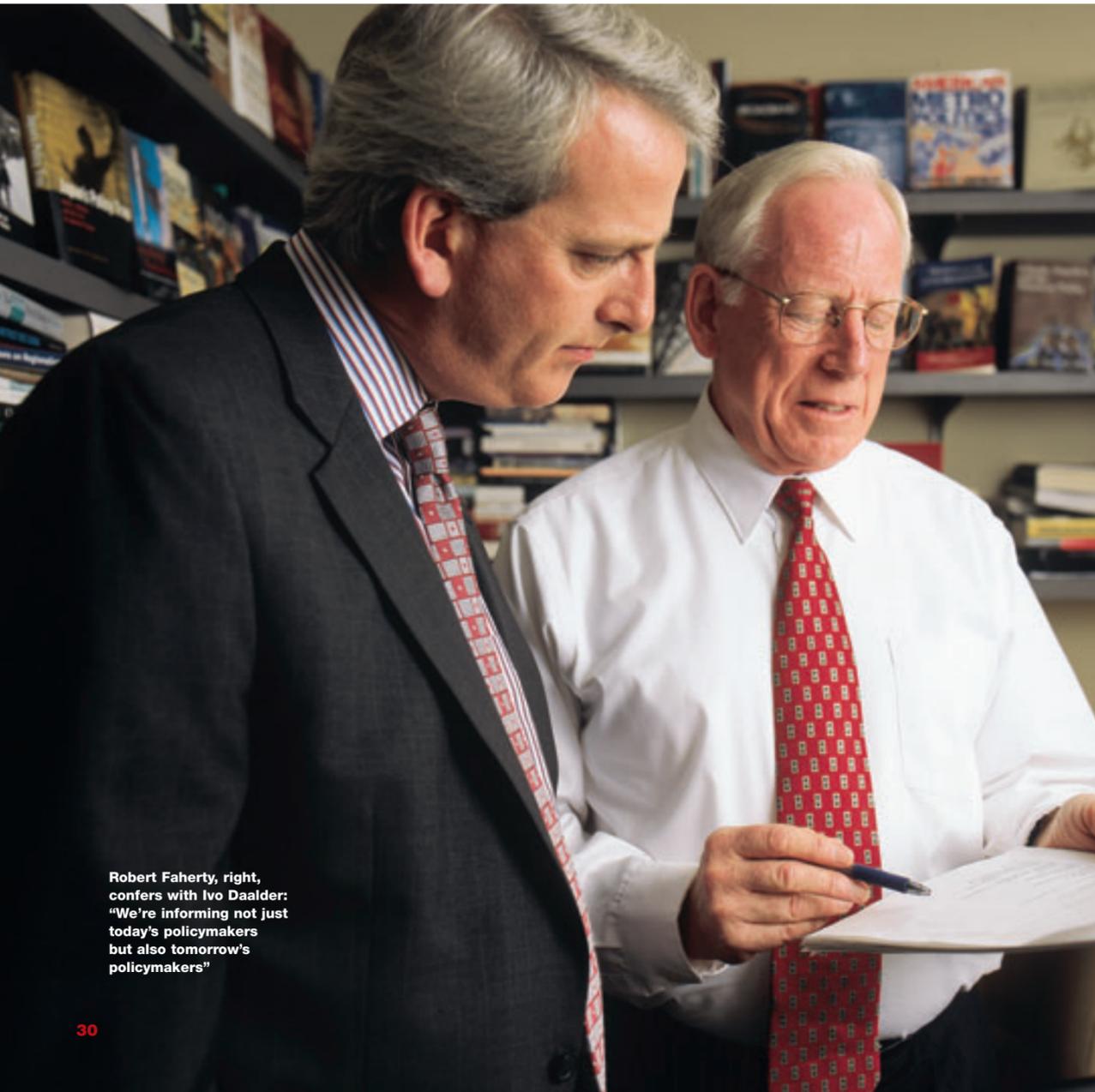
The Brookings Institution published more than 50 books in the past year, most by Brookings scholars, some by outside experts.

Among the top sellers were *America Unbound: The Bush Revolution in Foreign Policy*, by Brookings scholars Ivo H. Daalder and James M. Lindsay (see box), and *May the Best Team Win: Baseball Economics and Public Policy*, by Smith College economics professor Andrew Zimbalist.

*May the Best Team Win* is probably the only Brookings book ever reviewed in *Sports Illustrated*, which called it a "brilliantly researched study on the economics of the game." And ESPN sports commentator Chris Berman noted, "Andrew Zimbalist writes with obvious love, but deep concern for our national pastime."

Another important recent book was *Agenda for the Nation*, edited by Brookings scholars Henry J. Aaron, Lindsay, and Pietro S. Nivola. It is the latest in a periodic series of similar publications highlighting issues that require the attention of policymakers and the public.

"This is the first time we've used that title since 1968," Faherty says. "We revived the title because this year's volume is focused less on the budget and the economy and more on 'big think' ideas about the most challenging issues facing America today."



Robert Faherty, right, confers with Ivo Daalder: "We're informing not just today's policymakers but also tomorrow's policymakers"

FORREST MACCORMACK



Pietro Nivola, left, and Henry Aaron, right, focused on pressing issues in *Agenda for the Nation*

FORREST MACCORMACK

Among other important books from the Press was *Islam: A Mosaic, Not a Monolith*, by Vartan Gregorian, the Iranian-born, American-educated president of the Carnegie Corporation of New York. The book is a survey of the world's large, diverse, and growing Islamic population, as well as a recounting of the origins and history of Islam.

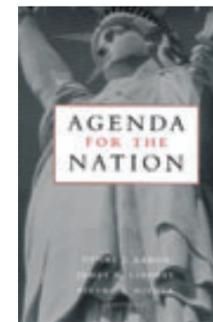
Brookings scholar Sarah A. Binder wrote *Stalemate: Causes and Consequences of Legislative Gridlock*, examining the paralyzing conflicts between Republicans and Democrats in Congress. Her recommendations for ending congressional gridlock include spending more time negotiating differences and reaching consensus on legislative proposals at the committee level, possibly with the help of a neutral mediator.

Faherty says that many Brookings books are designed to be used as required reading in college courses. While the total number of sales for these titles may be small, their long-term impact can be large. "Because our books are being used in the classroom, we're informing not just

today's policymakers but also tomorrow's policymakers," Faherty says.

Brookings also publishes six journals: *Brookings Trade Forum*, *Brookings-Wharton Papers on Financial Services*, *Brookings-Wharton Papers on Urban Affairs*, *Brookings Papers on Education Policy*, *Brookings Papers on Economic Activity*, and *Economia*.

The Brookings Institution



Press has been in the forefront of academic organizations making their books and journals available in electronic form. For instance, Brookings journals can be downloaded at thousands of libraries via an Internet site called "Project Muse." The number of people accessing Brookings journals through this channel is increasing. It is an additional source of revenue to the Press.

The Press recently inaugurated a new, enlarged, and improved online bookstore incorporating the easy-to-use shopping cart format. "It was a major project," Faherty says. Additionally, Brookings books can be purchased from such commercial websites as Amazon and Barnes & Noble. ■

## A Small Press Book Makes a Big Splash

**A**merica Unbound: *The Bush Revolution in Foreign Policy*, by Ivo H. Daalder and James M. Lindsay, was the top-selling book published recently by the Brookings Institution Press.

A first printing of 10,000 copies sold out quickly, and a second printing was ordered. *America Unbound* is already being translated into Chinese, Arabic, and Dutch.

*The New York Times* called it "splendidly illuminating," and *The Economist* picked it as one of the top 50 books published in 2003, putting it atop its selections on "politics and current affairs."

The authors of *America Unbound* wrote that President George W. Bush led a revolution in foreign policy. "He has redefined how America engages the world, shedding the constraints that friends, allies, and international institutions impose on its freedom of action," explained Daalder.

The book stated that the Bush revolution represented the triumph of traditional "assertive nationalist conservatives," rather than a neoconservative coup. In the view of the authors, neoconservatives want to use U.S. power to remake the world in America's image, while nationalists want to use it only to defeat immediate threats.

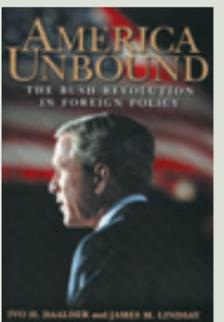
The authors believe that Bush's intentions were evident in the 2000 campaign. Once in office, Bush delivered the presidential leadership he promised, they conclude. "He appointed a strong team, encouraged debate among them, but ultimately he, not they, decided," Daalder said. "All credit—and any blame—for Bush's foreign policy are the president's, and no one else's."

A major review in the *New York Review of Books* by Arthur Schlesinger Jr. called the book "clinical" and "incisive." Another favorable review-essay, in *Foreign Affairs*, praised the book as "a lucid and concise account... It is doubtful that another book will come along soon that covers all the important points of the administration's foreign policy with more clarity and evenhandedness."

Daalder and Lindsay discussed their book at the Council on Foreign Relations in New York, the Royal Institute of International Affairs in London, the World Affairs Council of Northern California in San Francisco, and at other forums and media events in Holland, Boston, Chicago, Los Angeles, Dallas, and Miami. It also served as the basis for a well-attended panel discussion at Brookings.

The authors were interviewed by Wolf Blitzer on CNN, by Diane Rehm on her National Public Radio program, by Mike Shuster on NPR's "Morning Edition," on C-SPAN's "Washington Journal," and by Ben Wattenberg on "Think Tank" on PBS.

Veteran newscaster Daniel Schorr, whose experience covering international developments goes back to the Edward R. Murrow era, said this about *America Unbound*: "I would not have imagined that two former Clinton staffers could write such a detached and richly textured book about Bush foreign policy. *America Unbound* is refreshingly original and it makes the case for President Bush as the master of his own unilateralist revolution. Future examinations of Bush foreign policy will be measured against this authoritative book."



# Center for Public Policy Education

Robert Brookings's original vision for the institution that bears his name included an executive education program that would prepare future leaders for public service, developing what he called "the trained intelligence essential to the ultimate success of our government."

Today, that part of the founder's plan is called the Center

for Public Policy Education (CPPE). His hopes for executive education have been realized, at least judging from participants.

"This program provides an excellent overview of various aspects of leading in the public sector," says one.

"Absolutely the best leadership program I have participated in," according to another.

"Top-notch speakers and equally valuable networking with

other participants," says a third.

Top-notch speakers, indeed. Recent lecturers at CPPE programs have included former Secretary of State Madeleine K. Albright, Homeland Security Secretary Tom Ridge, former Attorney General Richard Thornburgh, Supreme Court Justice Antonin Scalia, Attorney General John Ashcroft, Representative Christopher Shays, and Dr. William Haseltine, CEO of Human Genome Sciences.

"The CPPE programs have larger goals than simply to enhance an executive's education," says Barbara Littell, a senior member of the program's staff.

"The underlying purpose has grown to include informing future leaders about public policy issues and processes, promoting better business-government relationships, increasing understanding between American and European leaders, and assisting government and cor-

porate officials from other countries to better understand the American political system."

CPPE is pursuing those ambitious goals, despite cutbacks in executive travel and reductions in expenditures for executive education by some agencies and businesses in the wake of the September 11 attacks and the business slowdown.

The newest addition to the CPPE curriculum, and one of the

most intensive, is called Mastering the Art of Public Leadership. Participants—generally government executives at the GS-14 level and above—attend three days of classroom sessions each month for 10 months.

"Over the next few years, a large number of experienced senior managers will retire from the public service," notes Don G. Zauderer, the program's director. "We are filling the urgent need to develop a new generation of government executives who can think strategically, inspire staff, operate with integrity, overcome barriers to change, and implement public policy with skill and fierce resolve."

In addition to participating in dialogues with scholars, senior managers, and policymakers, the participants in the Mastering the Art of Public Leadership program conduct action-learning projects directly related to their sponsoring agency. And they acquire skills needed to meet core executive qualifications set by the Office of Personnel Management.

Other CPPE programs include:

- **Outreach to Embassies.** These intensive three-day programs, conducted at foreign embassies in Washington, are designed to help embassy staff members understand how the policymaking process of the U.S. government works, and how they can better represent the interests of their own countries.
- **Judicial Education Program.** This series of seminars is organized by CPPE under the auspices of the AEI-Brookings Joint Center for Regulatory Studies. The two-week programs provide judges with in-depth lessons on eco-

## Executive Programs

CPPE designs custom executive education programs that provide public policy and leadership training to managers at U.S. government agencies, including the Department of Health and Human Services, the Internal Revenue Service, and the Department of State.

Custom programs add an important dimension to CPPE's mission to educate leaders in the public sector—and help establish an ongoing Brookings relationship with current and future decisionmakers.

CPPE also has set up partnerships with university business schools to provide Washington seminars as part of the schools' advanced management programs. In addition, CPPE designs custom programs for Fortune 500 corporations and trade associations.

Recent programs have included:

- A four-day Washington seminar in cooperation with the Sloan School of Management at MIT.
- Leadership development seminars for major global telecommunications companies.
- An annual public policy seminar for a major financial services company.
- Public policy institutes for the Credit Union Executives Society and the American Council of Engineering Companies.

In all cases, the curriculum was designed jointly with the client and tailored to fulfill the specific needs of the organization.

Clients praise the custom programs. One executive of a telecommunications company says, "The collaborative process of developing and delivering a stellar program was made easier by your flexibility and client commitment. Your talented team also provided great support to the participants."

A trade association leader also offers high praise: "We are delighted to be working with your prestigious institution. The program has been extremely well received by our executives. I compliment your fine staff for their professionalism and attention to our needs."

economic and financial issues so they can deal knowledgeably with complex cases.

- **Fellowship Programs.** The Legis Fellow program gives Executive Branch managers an opportunity to assume full-time assignments in the Legislative Branch to acquire hands-on knowledge of the legislative process. The Congressional Fellows program assigns corporate managers to the staffs of members of Congress or congressional committees for seven- or 12-month periods. The Visiting Fellows program teaches senior level

government and corporate managers from other countries how the U.S. policymaking process works.

Government managers who attend CPPE programs enthusiastically praise the experience. Says one senior government space agency manager: "In my experience, every Brookings program has shared one major characteristic—quality. Brookings events are characterized by a carefully planned syllabus, valuable reference materials, highly qualified staff, and outstanding lecturers in a stimulating, interactive environment." ■



After a talk at Brookings, former Secretary of State Madeleine Albright meets with Harry S. Truman Scholars

KAVEH SARIDUR/SARDUR GROUP, INC.

# Development: Investing in Brookings

The equation is stark and simple:  
*No funds = No research*

**T**he annual Brookings budget for scholars, research, and disseminating the Institution's work is about \$40 million. Roughly \$10 million of that is covered by withdrawing earnings from the Institution's endowment. The Brookings Institution Press and executive education seminars bring in \$7 million, largely covering their expenses. As for the rest—more than \$20 million—Brookings depends on gifts and grants from foundations, individuals, corporations, and other organizations.

However, because of the economic slowdown and the stock market decline, raising funds for Brookings has never been more difficult. Foundations, a crucial source of support, have experienced declines in their endowments and have pared giving as a result. At the same time, Brookings's own endowment has shrunk, reducing the amount that can be withdrawn to fund programs.

"Brookings simply cannot conduct and distribute quality research on topics like terrorism, Iraq, the Islamic world, taxes and deficits, and world hunger without the necessary financial support," says Linda G. Steckley, who was recruited to manage the Development Department during this challenging period.

While acknowledging the difficulty of raising funds in the current climate, Steckley believes that independent and authoritative research from Brookings is needed now more than ever, when policy issues are often discussed in angry and partisan soundbites.

"A contribution to support Brookings research is an investment in agenda-setting, nonpartisan, relevant thinking about the most important issues confronting America and the world," she says.

Steckley has spent virtually her entire professional life raising funds to finance scholarly research, most recently at the Duke University School of Law.



Linda G. Steckley, vice president for development: "A contribution...is an investment in agenda-setting, nonpartisan, relevant thinking"

FORREST MACCORMACK

# The Ups and Downs of the Endowment

**Q** What is the size of the Brookings endowment?

**A** At the end of the 2003 fiscal year, the Brookings endowment stood at \$197 million. By the end of September, it had increased to \$204 million.

**Q** Wasn't it larger a few years ago?

**A** Yes. It was dragged down by the market slump that began in 2000, but it has been rebounding during the past several quarters.

**Q** How is the endowment invested?

**A** The endowment is invested as a unified fund. A 15-member committee of the Board of Trustees with expertise in investment management determines the specific investments. Their expertise is supported by an investment advisory firm that gathers information and recommends action. The endowment is highly diversified and is invested with the goal of generating current revenue while preserving capital for future years.

**Q** How do you track contributions to the endowment?

**A** Contributions are accounted for individually in proportion to their share of the unified fund. Earnings from each contribution are tracked so that we have an updated value every quarter for each gift.

**Q** How do you determine how much to spend annually from the endowment?

**A** As is true with most endowments, Brookings allows a set percentage of the total value of the fund to be spent annually. In determining this annual "draw," the value is averaged over a period of time to minimize the impact of short-term market volatility on the amount available to spend.

**Q** What types of contributions are accepted for the endowment?

**A** Brookings welcomes endowment gifts designated for either general purposes or specific research areas.

"My eight years at Duke were wonderfully rewarding," she recalls. "The opportunity at Brookings is the only thing that could have attracted me away. I've respected the work of Brookings scholars for as long as I can remember. The authority and independence of their work sets the standard for public policy research centers."

But, she notes, "Unlike universities, which have a loyal alumni base for support, Brookings must look to foundations, corporations, and individuals who are committed to an open public debate on

issues affecting the United States and the world."

Strobe Talbott, president of the Brookings Institution, praises Steckley's fund-raising efforts.

"We're fortunate to have someone of Linda's energy and experience for the difficult challenges that we face," he says. "She has great enthusiasm for the Institution, its scholars, and its mission, and a commitment to raising the funds necessary to support Brookings's independent, nonpartisan public policy research, which is more urgent than ever in these divisive and uncertain times."

Steckley's 12-member Development Department seeks contributions in the form of major gifts, planned gifts to the Brookings endowment, support for endowed chairs, general operating support, and funding for specific research programs and projects.

Referring to Brookings's \$200 million endowment as "the financial foundation" of the Institution, Steckley notes that current policy

allows only about 5 percent of the endowment to be spent each year for current expenses, ensuring that Brookings maintains this bedrock support (see box).

Steckley is focusing on members of the Brookings Board of Trustees as a "primary source" of support for the Institution and its work. "When someone accepts a position on the Board, it represents a commitment to support



James A. Johnson stepped down as chairman in June 2003 after nine years of visionary leadership and unstinting generosity

DAVID SCULL



Trustee Lawrence H. Summers, president of Harvard University, poses a question at a board dinner

STEVE PURCELL

the Institution intellectually and financially," she says.

Certainly James A. Johnson, who stepped down as chairman of the Brookings Board of Trustees in June 2003 after nine years, fulfilled that commitment.

He gave generously to Brookings, particularly to the Center on Urban and Metropolitan Policy. In 1997, he established the Adeline M. and Alfred I. Johnson Chair in Urban and Metropolitan Policy in honor of his parents. The Johnson Chair holder concentrates on issues confronting the nation's distressed inner-city communities.

As chairman of the Board of Trustees, Johnson also worked to expand Brookings's base of support by cultivating new donors and Brookings Council members.

His visionary leadership and commitment to the mission of Brookings substantially raised financial support for the Institution and elevated Brookings's visibility in Washington and beyond the Beltway.

In recognition of Johnson's service to and financial support for the Institution, the Jackson Place Room just off the main lobby at Brookings was renamed the James A. Johnson Room. This tribute was announced at a special dinner in Johnson's honor, and a plaque honoring his contributions was placed in the room. Johnson remains a member of the Board as an Honorary Trustee.

The 230 members of the Brookings Council are also vital to the financial health of the Institution. Gifts of more than \$5,000 from individuals and \$10,000 from corporations qualify donors for membership in the Brookings Council, which celebrated its 20th anniversary in November 2003. Council members in chapters in New York, Washington, Boston, Chicago, Houston, and San Francisco contribute a total of nearly \$5 million annually toward the cost of Brookings's research.

One of Steckley's first moves at Brookings was to reorganize the

# The Gift of Giving: Three Who Made a Difference

A number of contributors have been extraordinarily generous in their support for Brookings research. They include:

## Richard Blum

In January 2003, Brookings received a \$2 million grant from Richard C. Blum, a Brookings trustee and Council member and chairman of Blum Capital Partners, L.P., in San Francisco. This contribution was designated to support the new Global Poverty Reduction Initiative. The project is led by Carol Graham, vice president and director of the Governance Studies program, and involves scholars with expertise in economic development and poverty reduction in developing countries. An interdisciplinary effort, it draws on scholars from all three major program areas—Economic Studies, Foreign Policy Studies, and Governance Studies. Blum, who has been involved in a number of philanthropic organizations that address poverty and development issues, has facilitated Brookings's goal of exploring key questions about U.S. foreign assistance in a manner that both informs and suggests solutions. The initiative's first major project focused on President Bush's Millennium Challenge Account, designed to help developing countries, and has attracted substantial interest from Capitol Hill policymakers.

## Beatrice and Anthony Welters

Brookings trustee Beatrice Welters and her husband, Anthony Welters, have provided a \$125,000 grant, made through the Vincent Wilkinson Foundation, to support research on corporate and white-collar crime, antiterrorism, drug enforcement, and violent crime as it relates to low-income and minority communities. This work, conducted by the Institution's Economic Studies and Governance Studies programs, promises to contribute to solving the complex policy questions involving these topics. "At the beginning of the 21st century, we as a nation are still plagued by many issues of the past," Beatrice Welters said when she made the commitment to support this research. "However, we are fortunate to have and be part of the Brookings Institution, whose environment stimulates and liberates our capacity to make a difference for the future."

## James A. Johnson

In June 2003, James A. Johnson stepped down as chairman of the Brookings Board of Trustees, a position he had held since 1994. In recognition of his service to and financial support for the Institution, Brookings renamed the Jackson Place Room just off the main lobby the James A. Johnson Room. A plaque was installed in the room, reading "The James A. Johnson Room, in honor of a devoted trustee and Chairman of the Board, and his wife, Maxine Isaacs, with appreciation for their leadership, generosity and commitment." This tribute was announced at a special dinner in Johnson's honor. He will remain a member of the Board as an Honorary Trustee.

Development Department and put greater emphasis on seeking large gifts.

Recent large gifts have included a \$2 million grant from Richard C. Blum, a Brookings Trustee and Council member. The money will support the new Global Poverty Reduction Initiative. Brookings Trustee Beatrice Welters and her husband, Anthony Welters, provided a \$125,000 grant to support research on corporate and white-collar crime, antiterrorism, drug enforcement, and violent crime involving low-income and minority communities.

Funders have become increasingly inclined to underwrite narrow, short-term projects rather than the broad, long-term research

that is Brookings's trademark. As a result, the Development staff stresses unrestricted gifts to support Brookings's endowment and its endowed chairs. These are the gifts, Steckley says, that "guarantee the Institution's intellectual independence and its spirit of free inquiry."

Summing up the philosophy that drives her fund-raising efforts at Brookings, Steckley says: "It's not so much a question of convincing individuals to support those who have the financial capacity to realize that their investment in the work of Brookings is an investment in the future of this country and the extension of democratic values abroad." ■



Mario Draghi, left, Brookings's first international trustee, with James B. Steinberg, vice president for Foreign Policy Studies

STEVE BIRCHILL

## In Memoriam

We note with sadness the passing of three members of the Brookings Board of Trustees: Douglas Dillon, Andrew Heiskell, and Robert Brookings Smith. We are deeply indebted to them. Their dedicated leadership and exemplary stewardship of the Brookings Institution helped build an extraordinary record of achievement.

### Douglas Dillon

Douglas Dillon's intellectual and moral support of the Brookings Governance Studies program (known until 2002 as the Governmental Studies program) encouraged scholars to launch groundbreaking research on important public policy topics, such as the future of public service, campaign finance reform, the decline and transformation of international news, and ways of circumventing governmental gridlock. The Douglas Dillon Chair in Governance Studies, which Dillon endowed, is a fitting tribute to his lifelong commitment to improving public process and policy.

Dillon became a member of the Brookings Board of Trustees in 1965. He served as chairman from 1968 to 1975. Elected an Honorary Trustee in 1975, he held the position until his death on January 10, 2003. Dillon's career straddled business and government. He was a Wall Street financier who served as secretary of the Treasury under Presidents Kennedy and Johnson and as ambassador to France under President Eisenhower.

### Andrew Heiskell

Andrew Heiskell was a charter member of the Brookings Council and remained a member for 20 years, until his death on July 7, 2003. He was

elected to the Brookings Board of Trustees in 1980, and was elected Honorary Trustee in 1985.

"As a Trustee, it has been a most gratifying experience, as Brookings is a viable institution fulfilling a public need," Heiskell once said. "I believe that Brookings has established a strong comparative advantage in conducting foreign policy research."

Heiskell's dedication to and interest in Brookings were highly valued. His accomplishments in the worlds of publishing and public service throughout a long career were also exceptional. Heiskell spent 43 years with Time Inc., rising to chairman and chief executive. He devoted his later years to improving the New York Public Library, among many other philanthropic endeavors.

### Robert Brookings Smith

Robert Brookings Smith was an excellent steward of the Brookings family legacy and exemplified the ideals upon which Robert S. Brookings, his great uncle, founded the Institution in 1916. Smith's generosity of spirit and lifelong dedication to the betterment of his community in St. Louis and to the Institution were exemplary models of civic responsibility and benevolence. It was an honor for the Institution to have had a Brookings involved in its work for 50 years.

Smith served as vice chairman of the Board of Trustees from 1955 to 1967. He was a Trustee from 1951 and was elected an Honorary Trustee in 1973, a position he held until his death on December 30, 2002, at the age of 99. Smith was a St. Louis-based private investor and entrepreneur.

## HONOR ROLL OF CONTRIBUTORS

### \$500,000 plus

Richard C. Blum and Senator Dianne Feinstein  
The Annie E. Casey Foundation  
The Ford Foundation  
Bill & Melinda Gates Foundation  
The John D. & Catherine T. MacArthur Foundation  
Arjay and Frances Miller  
The Starr Foundation  
University of California-Berkeley

### \$250,000 to \$499,999

Carnegie Corporation of New York  
Department for International Development, United Kingdom  
Fannie Mae Foundation  
Georgetown University  
The German Marshall Fund of the United States  
The Joyce Foundation  
Living Cities, Inc.: The National Community Development Initiative  
Charles Stewart Mott Foundation  
National Science Foundation  
The David and Lucile Packard Foundation  
The Pew Charitable Trusts  
The Government of Qatar  
Cheryl and Haim Saban  
Alfred P. Sloan Foundation  
U.S. Chamber of Commerce

### \$100,000 to \$249,999

Anonymous  
American Legacy Foundation  
Boston College  
The Brown Foundation, Inc., Houston  
Canadian Department of Foreign Affairs and International Trade  
The Dillon Fund  
Exxon Mobil Corporation  
Foundation for Child Development  
The Freeman Foundation  
The Heinz Endowments  
The William and Flora Hewlett Foundation  
Ewing Marion Kauffman Foundation  
Local Initiatives Support Corporation  
The Henry Luce Foundation  
Lumina Foundation for Education  
The McKnight Foundation  
The Andrew W. Mellon Foundation  
Eugene and Agnes E. Meyer Foundation  
Government of Norway  
John M. Olin Foundation, Inc.  
Open Society Institute  
Rockefeller Brothers Fund  
The Rockefeller Foundation  
State Farm Insurance Companies

Surdna Foundation, Inc.  
Swedish International Development Cooperation Agency  
World Economic Forum

### \$50,000 to \$99,999

The American Enterprise Institute  
AT&T  
Louis W. Cabot  
The Morris and Gwendolyn Cafritz Foundation  
The Community Foundation of the National Capital Region  
Civil Justice Reform Group  
Alan M. Dachs  
Estate of Lily Mary David  
Jeffrey W. Greenberg  
Brian L. Greenspun  
The George Gund Foundation  
The Mary and Kathleen Harriman Foundation  
James A. Johnson  
The J.P. Morgan Chase Foundation  
The Korea Foundation  
The Markle Foundation  
Maconda Brown O'Connor, Ph.D.  
Property-Casualty CEO Roundtable  
State University of New York  
The Tinker Foundation, Inc.  
Tokyo Club Foundation for Global Studies  
University of Michigan  
University of Wisconsin-Madison  
U.S. Agency for International Development  
U.S. Department of State  
U.S. Environmental Protection Agency  
U.S. Institute of Peace  
The USAA Foundation, A Charitable Trust  
WellPoint Health Networks Inc.  
Mr. and Mrs. Anthony Welters  
Stephen M. Wolf

### \$25,000 to \$49,999

Alcoa Foundation  
American Express Foundation  
American Honda Motor Co., Inc.  
The Atlantic Philanthropies  
Aventis  
The Bank of America Foundation, Inc.  
Rex J. Bates  
Alan R. Batkin  
The Boeing Company  
Ronald B. Bruder  
Center For Global Development  
ChevronTexaco Corporation  
Citizens Financial Group, Inc.  
Coalition for Asbestos Justice, Inc.  
Robert and Kelly Day  
\*Douglas Dillon

First Data  
Lawrence K. Fish  
Lee M. and Juliet C. Folger  
Harry Freeman  
Cyrus F. Freidheim Jr.  
Bart Friedman  
GE Foundation  
General Motors Corporation  
Rollin M. Gerstacker Foundation  
Goldman, Sachs & Co.  
Government of the District of Columbia  
The Philip L. Graham Fund  
William A. Haseltine, Ph.D.  
Teresa Heinz  
Joel Z. Hyatt  
ITOCHU International, Inc.  
The Robert Wood Johnson Foundation  
Robert L. Johnson  
Johnson & Johnson  
John S. and James L. Knight Foundation  
Daniel and Sunita Leeds  
Microsoft Corporation  
Allen and Peter Model  
Mario M. Morino  
National Institute of Justice  
Pfizer, Inc.  
Samuel Pizar, Ph.D.  
Prince Charitable Trusts  
Steve Rattner and P. Maureen White Foundation, Inc.  
Hasib Sabbagh  
Ralph S. Saul  
Taipei Economic and Cultural Representative Office  
Vincent J. Trosino  
Turner Foundation  
The Urban Institute  
U.S. Department of Transportation  
Verizon Foundation  
Visa U.S.A. Inc.  
John C. Whitehead  
The World Bank  
Ezra K. Zilkha

### \$10,000 to \$24,999

Abt Associates Inc.  
Aon Corporation  
Aramco Services Company  
BellSouth Corporation  
Bertelsmann Stiftung  
The Boston Consulting Group, Inc.  
BP America Inc.  
Bristol-Myers Squibb Foundation  
The Andrea and Charles Bronfman Fund  
The Campaign & Media Legal Center  
John E. Carbaugh  
Cargill, Incorporated  
The Century Foundation  
Ronnie Chan

CIG International, LLC  
CIGNA  
A. W. Clausen  
Colby College  
Timothy C. Collins  
CSX Corporation  
Cummins, Inc.  
Kenneth and Marcia Dam  
Devon Energy Corporation  
DoubleClick Inc.  
Eastman Kodak Company  
Eli Lilly & Company Foundation  
EMTA  
Ford Motor Company Fund  
Embassy of France  
The George Washington University  
Jerome H. Grossman, M.D.  
Marion Guggenheim  
Agnes Gund and Daniel Shapiro  
Sidney Harman  
F. Warren Hellman  
Hewlett-Packard  
The Conrad N. Hilton Foundation  
Institute for National Policy Research  
IPMA  
The Kansai Electric Power Co., Inc.  
Brenda R. Kiessling  
Peter Kimmelman  
Marie L. Knowles  
Konrad-Adenauer-Stiftung  
Korea International Trade Association (KITA)  
Lockheed Martin Corporation  
Robert Marks  
Marubeni America Corporation  
Matsushita Electric Industrial  
McKinsey & Company, Inc.  
Merrill Lynch & Co., Inc.  
Mitsubishi International Corporation  
Mitsui & Co. (U.S.A.), Inc.  
National Association of Realtors  
NEC USA  
New York Stock Exchange, Inc.  
Donald E. Newhouse  
Nissho Iwai Foundation  
Novartis Pharmaceuticals Corporation  
NTT USA  
NYK Line  
Eiji Ono  
PACCAR Foundation  
Pepco Holdings, Inc.  
Pitway Corporation Charitable Foundation  
Alice Rivlin  
Herbert and Marion Sandler  
Sara Lee Corporation  
B. Francis Saul II  
Michael P. Schulhof  
Shell Oil Company Foundation  
Sumitomo Corporation  
Taiwan Cement Corporation  
Nelson Talbott  
Andrew H. Tisch  
Toshiba America, Inc.

## HONOR ROLL OF CONTRIBUTORS

UBS	Shirley Ann Jackson, Ph.D.	Raymond Baker
University of Pennsylvania	Japan Bank for International Cooperation	BB & T
University of Southern California		Norman Bernstein
The Alex C. Walker Education & Charitable Foundation	Janet M. Johnson	Frederick M. Bohlen
James M. Walsh	The Fletcher Jones Foundation	British Embassy
The Warburg Pincus Foundation	James C. Kautz	Richard Burnes
The Washington Post	KB Home	Daniel J. Callahan
Wyeth	Thomas L. Kempner	Cassidy & Pinkard
The Xerox Foundation	The F.M. Kirby Foundation, Inc.	Morton Cohen
Daniel H. Yergin and Angela Stent	Robert P. Kogod	Colonial Parking, Inc.
	Henry R. Kravis	Delta Associates
	James T. Lynn	The Doctors Company
	B.K. MacLaury	Draper and Kramer Foundation
	Philip Mallinckrodt	Eaton Corporation
	Edward J. Mathias	Robert D. Ebel
	Herbert P. McLaughlin Jr.	Federal City Council
	Robert S. McNamara	Ann M. Fudge
	Thomas G. Mendell	Henry L. Gates
	Clifford L. Michel	Lee H. Hamilton
	Mitchell J. Nelson	Nancy M. Hewett
	Augustus Oliver	The Hillman Company
	John E. Osborn	Frank Hoch
	Ellen M. Pechman	Horning Brothers
	Samuel Plimpton and Wendy Shattuck	Estate of John B. Hurford
	John G. Popp	Vernon and Ann Jordan
	William F. Pounds	Rajesh Kadian
	J. Woodward Redmond	Kaiser Permanente
	Toni Rembe	Douglas Kiessling
	Charles W. Robinson	KPMG LLP
	James D. Robinson	Lowe Enterprises Mid-Atlantic, Inc.
	Felix G. Rohatyn	Macy's East, Inc.
	Stanley M. Rumbough	Madan and Monica Gupta
	Raymond T. Sawyer	Donald F. McHenry
	Henry B. Schacht	Mary Patterson McPherson
	Leonard D. Schaeffer	Herbert C. Morton
	Sheldon and Elinor A. Seevak	John F. Olson
	John A. Shane	William A. Owens
	John R. Silber	The Peterson Companies
	Alan B. Slifka	John E. Porter
	Robert E. and Emily L. Smith	Principal Financial Group Foundation, Inc.
	Robert Solomon	Qorvis Communications, LLC
	Helmut Sonnenfeldt	RealNetworks Foundation
	Joan E. Spero	Reed Smith LLP
	Frederick Stavis	Rozanne L. Ridgway
	Patricia and Andrew P. Steffan	Riggs National Corporation
	Jane Stern	Judith Rodin
	Toyota	Warren B. Rudman
	Tudor Investment Corporation	Francis H. Schott
	Antoine W. van Agtmael	Brent Scowcroft
	Hermine Warren	Linda Steckley and Peter Weitzel
	Eric Weinmann	Joshua L. Steiner
	Mimi and Peter E. Haas	The JBG Companies
	Robert D. Haas	Ranvir K. Trehan
	Edmund A. Hajim	Walker & Dunlop
	*Andrew Heiskell	Washington Homes, Inc.
	Samuel Hellman, M.D.	Washington Real Estate Investment Trust
	Robert A. Helman	Frank Weil
	Harold Hestnes	West Group
	Susan and Harlow Higinbotham	YMCA of Metropolitan Washington
	Marshall M. and Doris B. Holleb	
	Roy M. Huffington	
	John W. Humphrey	
	Francis O. Hunnewell	
	Institute of Peace and Conflict Studies	

## Additional Donors

Anders Aslund  
Harley D. Balzer  
Duane W. Beckhorn  
Michele D. Bertrand  
G.B. Bose  
Peter Clement  
William G. Gale  
George Guttman  
Richard N. Haass  
Caryn Hertz  
Esther V. Hewett  
Pat M. Holt  
Arnold Horelick  
Sarah K. Hyams  
Roslyn Kaiser  
George Kolt  
Herbert S. Levine  
Wayne P. Limberg  
Sarah E. Mendelson  
Richard J. Morosca  
Mary M. Nathan  
John Newhouse  
Jay R. Novins  
Raybin Associates, Inc.  
Peter B. Reddaway  
William A. Regardie  
Blair Ruble  
Charles B. Saunders  
Simon H. Serfaty  
Frederick L. Silbernagel III  
Andrew Solomon  
R. L. Strombotne  
Imeh J. Williams

\*Deceased

## STATEMENTS OF ACTIVITIES

Years Ended June 30, 2003 and 2002 (in thousands)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2003 TOTAL	2002 TOTAL
<b>Operating Revenues</b>					
Investment return designated for operations	\$ 11,191			\$ 11,191	\$ 11,001
Grants and contracts	538	\$ 11,569		12,107	19,704
Contributions	2,580	6		2,586	3,056
Conferences	3,566			3,566	3,383
Brookings Press	2,654			2,654	2,700
Information Technology Services	49			49	53
Interest and dividends	27			27	135
Rental income, net	300			300	310
Visiting scholars	244			244	254
Other income	86			86	82
Net assets released from restrictions- Grants and contracts	16,090	(16,090)		0	0
<b>Total Operating Revenue</b>	<b>37,325</b>	<b>(4,515)</b>		<b>32,810</b>	<b>40,678</b>
<b>Operating Expenses</b>					
Operating programs					
Economic Studies	9,765			9,765	11,349
Foreign Policy Studies	6,493			6,493	5,025
Governance Studies	6,073			6,073	4,567
Center for Public Policy Education	3,629			3,629	3,244
Brookings Press	3,140			3,140	3,085
Communications	1,104			1,104	1,168
Fellowships	217			217	231
<b>Total Operating Programs</b>	<b>30,421</b>			<b>30,421</b>	<b>28,669</b>
Supporting services:					
Management and General:					
Information Technology Services	2,199			2,199	1,969
Administration	3,845			3,845	3,612
Interest expense	142			142	156
Post-retirement benefits	743			743	286
<b>Total management and general</b>	<b>6,929</b>			<b>6,929</b>	<b>6,023</b>
External Affairs	1,875			1,875	1,800
<b>Total Operating Expenses</b>	<b>39,225</b>			<b>39,225</b>	<b>36,492</b>
Operating revenues over operating expenses	(1,900)	(4,515)		(6,415)	4,186
<b>Non-Operating Activities</b>					
Investment return in excess of amounts designated for operations:					
Realized gain (loss) on sale of investments	(10,880)			(10,880)	(1,306)
Unrealized gain (loss) from investments	15,192			15,192	(13,689)
Interest and dividends, net	3,261			3,261	3,969
Investment income allocation	(11,191)			(11,191)	(11,001)
Contributions-Permanent Endowment			\$ 215	215	2,344
Change in net assets from non-operating activities	(3,618)		215	(3,403)	(19,683)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(5,518)</b>	<b>(4,515)</b>	<b>215</b>	<b>(9,818)</b>	<b>(15,497)</b>
<b>Net Assets at the Beginning of the Year</b>	<b>160,614</b>	<b>21,486</b>	<b>44,580</b>	<b>226,680</b>	<b>242,177</b>
<b>Net Assets at the End of the Year</b>	<b>\$155,096</b>	<b>\$ 16,971</b>	<b>\$44,795</b>	<b>\$216,862</b>	<b>\$226,680</b>

## STATEMENTS OF FINANCIAL POSITION

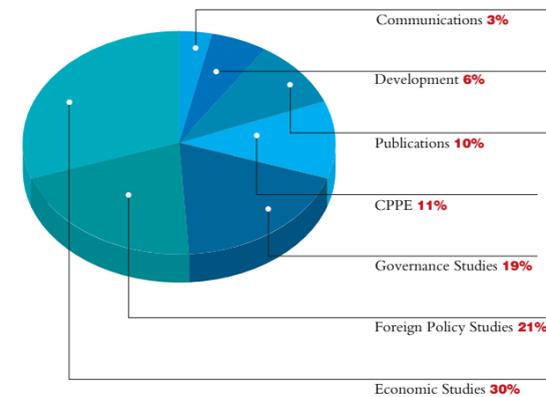
As of June 30, 2003 and 2002 (in thousands)

	2003	2002
<b>Assets</b>		
Cash and cash equivalents	\$ 3,038	\$ 3,125
Accounts receivable	2,582	2,180
Grants and contracts receivable	9,981	14,721
Pledges receivable	868	1,357
Accrued interest and dividends	231	250
Inventory	778	773
Investments, at fair value	197,114	201,211
Land, buildings and equipment-net	12,796	12,854
Other assets	262	395
<b>TOTAL ASSETS</b>	<b>\$227,650</b>	<b>\$236,866</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 3,406	\$ 3,342
Accrued compensated leave	1,351	1,315
Accrued post-retirement benefits	3,675	3,007
Note payable	1,500	1,950
Deferred revenue	856	572
<b>TOTAL LIABILITIES</b>	<b>10,788</b>	<b>10,186</b>
<b>Net Assets</b>		
Unrestricted	155,096	160,614
Temporarily restricted	16,971	21,486
Permanently restricted	44,795	44,580
<b>Total Net Assets</b>	<b>216,862</b>	<b>226,680</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$227,650</b>	<b>\$236,866</b>

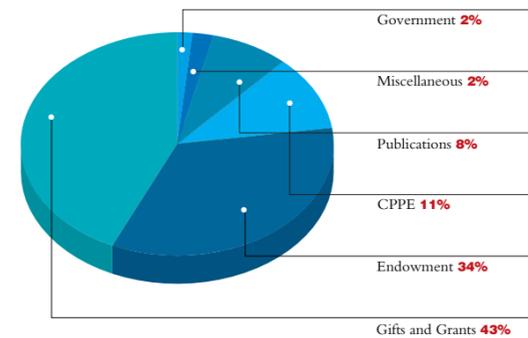
### Notes:

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. Brookings policy is to use investment revenue for operating purposes in the amount of 5 percent of the market value of the Investment portfolio averaged over the three preceding years. A copy of the Institution's audited financial statements is available by request. Certain reclassifications of prior year balances have been made to conform to the current year presentation.

### Program Expenses



### Operating Revenue



## TRUSTEES

**John L. Thornton**  
Chairman and CEO  
The Brookings Institution

**Strobe Talbott**  
President  
The Brookings Institution

**Elizabeth E. Bailey**  
Chair and John C. Hower Professor of  
Business and Public Policy  
The Wharton School  
University of Pennsylvania

**Zoë Baird**  
President  
The Markle Foundation

**Alan R. Batkin**  
Vice Chairman  
Kissinger Associates, Inc.

**Richard C. Blum**  
Chairman  
Blum Capital Partners

**James W. Cicconi**  
General Counsel and Executive Vice President  
AT&T

**Arthur B. Culvahouse Jr.**  
Chair  
O'Melveny & Myers LLP

**Alan M. Dachs**  
President and CEO  
Fremont Group

**Kenneth W. Dam**  
Max Pam Professor of  
American & Foreign Law  
University of Chicago Law School

**Robert A. Day**  
Chairman and CEO  
Trust Company of the West

**Thomas E. Donilon**  
Executive Vice President—Law and Policy  
Fannie Mae

**Mario Draghi**  
Vice Chairman and Managing Director  
Goldman Sachs

**Kenneth M. Duberstein**  
Chairman and CEO  
The Duberstein Group

**Lawrence K. Fish**  
Chairman, President and CEO  
Citizens Financial Group, Inc.

**Richard W. Fisher**  
Vice Chairman  
Kissinger McLarty Associates

**Cyrus F. Freidheim Jr.**  
Chairman of the Board & CEO  
Chiquita Brands International, Inc.

**Bart Friedman**  
Senior Partner  
Cahill Gordon & Reindel

**David Friend**  
General Partner  
Orchid Partners

**Ann M. Fudge**  
Chairman and CEO  
Young & Rubicam Inc.

**Jeffrey W. Greenberg**  
Chairman and CEO  
Marsh & McLennan Companies, Inc.

**Brian L. Greenspun**  
President and Editor  
Las Vegas Sun

**William A. Haseltine Ph.D.**  
Chairman and CEO  
Human Genome Sciences, Inc.

**Teresa Heinz**  
Chairman  
Heinz Family Philanthropies

**Samuel Hellman M.D.**  
A.N. Pritzker Distinguished  
Service Professor  
The University of Chicago

**Joel Z. Hyatt**  
Lecturer in Entrepreneurship  
Stanford Graduate School of Business

**Shirley Ann Jackson Ph.D.**  
President  
Rensselaer Polytechnic Institute

**Ann Dibble Jordan**  
Washington, DC

**Michael H. Jordan**  
Chairman and CEO  
EDS Corporation

**Marie L. Knowles**  
Retired Executive Vice President and CFO  
Atlantic Richfield Company (ARCO)

**Mario M. Morino**  
Chairman, Morino Institute  
Chairman, Venture Philanthropy Partners  
Special Partner, General Atlantic Partners LLC

**William A. Owens**  
Chairman and CEO  
Teledesic, LLC

**Frank H. Pearl**  
Chairman and CEO  
Perseus, L.L.C.

**John Edward Porter**  
Partner  
Hogan & Hartson

**Steven Rattner**  
Managing Principal  
Quadrangle Group LLC

**Judith Rodin Ph.D.**  
President  
The University of Pennsylvania

**Haim Saban**  
Chairman and CEO  
Saban Capital Group, Inc.

**Leonard D. Schaeffer**  
Chairman and CEO  
WellPoint

**Lawrence H. Summers**  
President  
Harvard University

**Vincent J. Trosino**  
President, COO and  
Vice Chairman of the Board  
State Farm Mutual Automobile  
Insurance Company

**Laura D'Andrea Tyson**  
Dean  
London Business School

**Beatrice W. Welters**  
Founder  
An-Bryce Foundation

**Stephen M. Wolf**  
Managing Partner  
Alpilles, LLC

**Daniel Yergin**  
Chairman  
Cambridge Energy Research Associates

## HONORARY TRUSTEES

**Leonard Abramson**  
Consultant and Member of the  
Boards of Directors of  
Children's Hospital of Philadelphia and  
Johns Hopkins University

**Rex J. Bates**  
R.J. BATES

**Louis W. Cabot**  
Chairman  
Cabot-Wellington LLC

**A. W. Clausen**  
Chairman and CEO (Retired)  
Bank of America Corporation

**William T. Coleman Jr.**  
Senior Partner and the Senior Counsellor  
O'Melveny & Myers LLP

**Lloyd N. Cutler**  
Senior Counsel  
Wilmer, Cutler & Pickering

**D. Ronald Daniel**  
Director  
McKinsey & Company, Inc.

**Bruce B. Dayton**  
Wayzata, Minnesota

**Charles W. Duncan Jr.**  
Chairman  
Duncan Interests

**Walter Y. Elisha**  
Retired Chairman and CEO  
Springs Industries, Inc.

**Robert F. Erburu**  
Chairman of the Board (Retired)  
The Times Mirror Company

**Henry Louis Gates Jr., Ph.D.**  
Chairman  
Department of Afro-American Studies  
Harvard University

**Robert D. Haas**  
Chairman of the Board  
Levi Strauss & Co.

**Lee H. Hamilton**  
President and Director  
The Woodrow Wilson International  
Center for Scholars

**F. Warren Hellman**  
Chairman  
Hellman and Friedman LLC

**Robert A. Helman**  
Senior Partner  
Mayer, Brown, Rowe & Maw

**Roy M. Huffington**  
Chairman and CEO  
Roy M. Huffington, Inc.

**James A. Johnson**  
Vice Chairman  
Perseus, L.L.C.

**Vernon E. Jordan Jr.**  
Senior Managing Director  
Lazard Frères & Co. LLC  
Of Counsel

**Akin Gump Strauss Hauer & Feld, LLP**

**Breene M. Kerr**  
President  
Brookside Company

**James T. Lynn**  
Retired CEO  
Aetna Life & Casualty Co.

**Jessica Tuchman Mathews**  
President  
Carnegie Endowment for International Peace

**David O. Maxwell**  
Retired Chairman and CEO  
Fannie Mae

**Donald F. McHenry**  
Distinguished Professor in the  
Practice of Diplomacy and  
International Affairs  
School of Foreign Service  
Georgetown University

**Robert S. McNamara**  
Former President  
The World Bank

**Mary Patterson McPherson**  
Vice President  
The Andrew W. Mellon Foundation

**Arjay Miller**  
Dean Emeritus  
Stanford Graduate School of Business

**Maconda Brown O'Connor Ph.D.**  
Chairman of the Board  
The Brown Foundation, Inc.

**Samuel Pizar Ph.D.**  
International Lawyer  
New York and Paris

**J. Woodward Redmond**  
President  
J.W. Redmond & Company

**Rozanne L. Ridgway**  
Arlington, Virginia

**Charles W. Robinson**  
President  
Robinson & Associates, Inc.,  
DYNA YACHT, Inc. and  
MANGIA ONDA Co.

**James D. Robinson III**  
Chairman  
RRE Ventures

**Warren B. Rudman**  
Of Counsel  
Paul, Weiss, Rifkind, Wharton & Garrison

**B. Francis Saul II**  
President and Chairman  
B.F. Saul Company

**Ralph S. Saul**  
Former Chairman  
CIGNA Corporation

**Henry B. Schacht**  
Director and Senior Advisor  
Lucent Technologies Inc.

**Michael P. Schulhof**  
Private Investor

**Joan E. Spero**  
President  
Doris Duke Charitable Foundation

**John C. Whitehead**  
Chairman  
Lower Manhattan Development Corporation

**James D. Wolfensohn**  
President  
The World Bank

**Ezra K. Zilkha**  
President  
Zilkha & Sons, Inc.

# Brookings by the Numbers

(July 1, 2002–June 30, 2003)

- Brookings's rank among Washington think tanks in press citations: 1
- Average monthly total of Brookings mentions in various print, TV, radio, wire, and web outlets: 846
- Average number of Brookings mentions each month in the *New York Times*, *Washington Post*, and *Los Angeles Times*: 69
- Number of op-ed articles written by Brookings scholars for various national, international, and local newspapers: 187
- Number of op-ed articles by Brookings scholars published in the *New York Times* and *Washington Post*: 45
- Number of TV and radio interviews conducted in the Brookings Studio: 845
- Number of media mentions of the Brown Center's Homework Study in two days: 270
- Number of subscribers to the Brookings web information alert as of November 2003: 18,058
- Number of employees at the Brookings Institution's headquarters: 275
- Number of Brookings resident and nonresident scholars: 142
- Number of Brookings scholars who are resident senior fellows: 50
- Number of Brookings scholars who are nonresident senior fellows: 41
- Number of guest and visiting fellows: 40
- Number of research assistants: 51
- Number of current Brookings scholars who have served in the government or in an international agency: 76
- Number of times that Brookings scholars testified at a congressional hearing: 31
- Number of languages spoken by Brookings scholars: 12
- Number of policy briefs published: 27
- Number of books published by the Brookings Institution Press: 50
- Number of scholarly journals published: 8
- Number of "Web-Eds" (original online editorials) published on the Brookings website: 30
- Number of public briefings at Brookings: 63
- Average audience size for a briefing in Falk Auditorium: 105
- Dollar value of the Brookings Institution endowment as of June 30, 2003: \$197,114,000

BROOKINGS