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BROOKINGS

Annual Report 2014

QUALITY. INDEPENDENCE. IMPACT.



BROOKINGS



Five Programs, One Brookings

PHOTO BY PAUL MORIGI

The challenges facing the world today—from transnational terrorism to sustainable economic growth to energy and climate change—are complex and interconnected. Solving them demands a multidimensional approach that employs a range of disciplines and addresses both root causes and long-term effects. The breadth of expertise and collaborative atmosphere at Brookings enable just this approach. Each of Brookings's five research programs—Economic Studies, Foreign Policy, Global Economy and Development, Governance Studies, and the Metropolitan Policy Program—could be its own think tank. But if they operated in isolation, important synergies would be lost. The multifaceted solutions to today's biggest problems don't come out of single-issue silos. They come out of one Brookings.

Co-Chairs' Message

When Robert Brookings decided, nearly a hundred years ago, to create and fund a nonprofit organization to study how the federal government might operate more effectively, he could not have possibly imagined what would result. But the institution he founded is now, a century later, widely recognized as the global leader in (and role model for) nonprofit organizations—popularly known as “think tanks”—seeking to develop nonpartisan solutions for the full range of issues facing governments at all levels.

The success of this enterprise is a testament not just to Robert Brookings’s vision, but also to the dedicated work over many decades of extraordinary scholars and equally committed supporters and donors.

While governments in the United States and abroad still face many seemingly intractable problems, there is no doubt that policymakers, from mayors and governors to legislators and presidents, have benefited from the research and ideas generated by Brookings scholars. And this is equally true whether the challenge before us is a breaking crisis that demands a rapid response or a long-term challenge that requires fundamental re-thinking and comprehensive solutions.

Our goal is to ensure that this important work can continue—and be enhanced—in Brookings’s next hundred years.

Toward that end, Brookings has launched the Second Century Campaign—a \$600 million comprehensive campaign designed to place Brookings’s financial resources at a level that ensures the Institution’s preeminence in the think tank world. However, that is not merely out of a desire for preeminence for its own sake, admirable as that might be, but rather out of a conviction that our continued leadership can indeed produce the type of scholarship and research—and practical solutions—that can help governments achieve their complicated mission much better.

For this overarching reason, we very much appreciate the support of so many individuals, corporations, and philanthropies from around the world in helping to get the Second Century Campaign off to a strong start, while also continuing their support of Brookings’s current day-to-day needs. We are in their debt, and look forward to thanking them personally when the occasion arises.

We also want to thank—and commend—Brookings’s administrators and scholars for their achievements over the past year and their continued efforts to provide useful research and innovative policy solutions to the array of challenging issues now facing policymakers around the world.



John L. Thornton
Co-Chair of the Board



David M. Rubenstein
Co-Chair of the Board



President's Message

From our founding 98 years ago, Brookings’s mission has included engaging fellow citizens in our scholars’ work. We don’t just produce and disseminate research and recommendations—we find ways to test and improve them through dialogue and debate. Hence the integral importance of our Communications Department, our public spaces like the Falk Auditorium, our prominence in the media, and our collaboration with other think tanks, universities, civic organizations, governing bodies at all levels, international agencies, and the private sector.

In recent years, new technologies have enhanced our ability to deepen, broaden, and accelerate outreach and feedback. As a result, our constituencies are expanding geographically and demographically. Two examples: social media enables us to share with the public our data on the makeup of Congress and the dynamics of the electoral process; our videoconferencing capacity allows students and faculty in Istanbul—fellow citizens of the world—to interact with our annual Sabancı Lecturer in Falk.

In October 2013, during the public launch of our Second Century Campaign, we formalized this commitment to facilitating public engagement in the life of Brookings. We call it the Jefferson Imperative. Why? Because America’s third president believed that a well-informed, educated, and empowered citizenry is crucial to a healthy, efficacious democracy.

The United States needs help in that regard now and in the decades ahead. Polarization of the body politic and dysfunction of the federal government are at alarming levels. Much of the media landscape is a balkanized, fact-free zone. Versions of this lamentable phenomenon are evident around the world. We believe that Brookings, with its dedication to nonpartisanship, empirical research, and civil discourse, can help revive Jefferson’s wisdom, nationally and globally.

To deepen our research further, we have launched partnerships with some of the world’s leading public-spirited universities, carrying forward yet another of Jefferson’s many passions.

We’ve invested in new strategies and technologies to send and receive information in real time and in multiple ways. We’ve renovated Falk to increase its audience capacity, both physically and virtually through audio-visual facilities. Literally every month our Communications and Information Technology colleagues introduce innovations on our website, brookings.edu—a domain name that we like to think is a reminder of our obligation to educate the public.

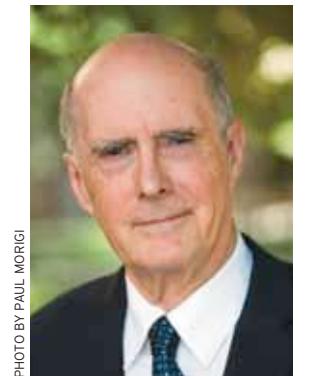
In this era of crowdsourcing and user-generated content, we have greater access than ever before to ideas that come from a public that we’re trying to inform and engage. Twitter, Facebook, online video discussions, blog comments, and email provide a high-tech analogue to the Q&A sessions that are a standard feature at our public events at 1775 Massachusetts Avenue, which, I can assure you, will not just survive but prosper in the digital age.

Important as social media is, it doesn’t tell the full story, not least because postings tend to be instantaneous and brief. That’s one reason why the long-form journalistic and thought pieces that we began producing in 2013 under the rubric of the Brookings Essay have become a brand-enhancing staple of our presence on the Internet. Readers—including many who had not been visitors to our site—have taken notice. We hope you will too.

We’ll keep you abreast of progress as we make further strides in the Jefferson Imperative. We hope you agree that our centenary in 2016 is an occasion to reaffirm and update not just the founding values and principles of our own Institution, but those of our nation as well.



Strobe Talbott
President



The Power and Promise of Independence

At a time when the lines between research organizations and advocacy groups are becoming increasingly blurred, media outlets—from major newspapers to independent bloggers—are asking questions about how research is financed. With political polarization remaining a great stumbling block to policy breakthroughs and partisan goals too often trumping sound policy, people want—and deserve—to know where their statistics and analyses are coming from.

In short, independence has never been more important and transparency never more critical to ensuring impact. Brookings takes these questions very seriously. Since its founding, Brookings has believed that the value of its scholarship—to all sides of any debate—is in the absolute commitment to empirical research and thoughtful, well-considered conclusions. Brookings scholars bring a range of perspectives and there is no “Brookings position” on issues. Instead, working in an atmosphere of intellectual freedom and the highest standards of academic rigor, Brookings experts conduct policy analysis and make recommendations based on the facts, without a predetermined outcome.

Brookings is funded by a diverse balance of corporations, individuals, foundations, and governments representing a wide range of views. This diversity makes Brookings beholden to only one master: the facts. One reason that endowments and unrestricted funding are so important to the Brookings mission is that they give scholars the ability to pursue independent research and follow the findings—wherever they may lead.

As contentious debate and partisan gridlock continue to hamper progress on the urgent issues of our time, Brookings’s independence is, and always will be, a rare and valuable asset.



President Bill Clinton
delivers the inaugural
Robert S. Brookings
President's Lecture

President Clinton Launches Premier Forum

PHOTO BY PAUL MORIGI

If you look everywhere in the world where there's a genuine commitment to shared decisionmaking, good things are happening.

—Bill Clinton, 42nd President,
United States of America

In 2014, the Institution launched the Robert S. Brookings President's Lecture to provide a highly visible annual platform for statesmen and business leaders from around the world to deliver major, news-making policy speeches.

The inaugural speaker was Bill Clinton, founder of the Clinton Foundation and 42nd President of the United States. He took the stage in Falk Auditorium for a conversation with Brookings President Strobe Talbott that covered an enormous range of issues, from climate change and energy to the global economy and inequality. Staying true to Brookings's commitment to engaged citizenry, the first event was webcast live and the public was invited to submit questions for President Clinton via Twitter using #ClintonatBrookings, and many participants live-tweeted their own commentary during the event.

For years to come, this exclusive forum will showcase leaders from the highest levels, giving attendees the opportunity to hear firsthand perspectives from the individuals shaping our world.

Brookings Impact

Bringing Long-Form Writing into the Digital Age

In the spirit of Brookings's commitment to high-quality, independent research, in 2013 the Institution launched the Brookings Essay as a multi-platform, long-form product designed to engage audiences in open dialogue and debate. Through eye-catching graphics, inspired prose, interactive maps, embedded videos, and timelines, Brookings Essays immerse readers in critical issues with in-depth analysis of events and their consequences, and the policy options for responding to them. By stimulating national and international conversations on key topics, the Brookings Essay embodies the goals of the Jefferson Imperative: engaging informed citizens in the governance of their nations and world.

The inaugural essay, “A Deadly Triangle” by William Dalrymple, opens with grenade blasts and a Kabul guesthouse bombed to rubble as an introduction to the complex interactions between India, Pakistan, and Afghanistan and the internal politics that inform the region's strategic relationships.

With a haunting description of a Corsican war memorial, Margaret MacMillan's “The Rhyme of History” launches a journey through time to investigate the “what ifs” and “whys” of the First World War.

Other Brookings Essays have examined gun control, the role of sub-national governments in India and China, the roots of the European Union, and NSA surveillance, among other topics. Nearly 300,000 visitors have viewed the first seven Brookings Essays, making them among the most popular content on the Brookings website.



Senior Fellow Robert Kagan and noted historian Margaret MacMillan (right), author of the Brookings Essay “The Rhyme of History: Lessons of the Great War,” compare current tensions around the globe to the period preceding the start of World War I in 1914





Investigating Policy Options to Meet Economic Challenges

With a focus on revitalizing economic growth, improving the labor market, and advancing economic opportunity, the Economic Studies program analyzes current and emerging economic policy issues facing the United States and the world. Economic Studies experts provide rigorous, nonpartisan, independent analyses to improve the quality and efficacy of economic policies.

Shaping Recovery

Economic Studies experts assess and recommend policies to improve the tepid economic recovery and the fragile labor market. Scholars looked at the causes of the financial crisis and Great Recession to help prevent their recurrence through events like “The State of the U.S. Financial System Five Years after the Crisis,” held simultaneously at Brookings and Stanford University, and “Recovery Road? An Assessment of the Auto Bailout and the State of U.S. Manufacturing,” which featured Chrysler head Sergio Marchionne, Brookings Trustee Steven Rattner, and Lawrence Summers of Harvard. Economic Studies also hosted Mel

Watt, new director of the Federal Housing Finance Agency, who spoke on “The Future of Fannie Mae and Freddie Mac.”

This year, Brookings welcomed former Federal Reserve Chairman Ben Bernanke as a distinguished fellow in residence and Louise Sheiner and David Wessel as senior fellows, adding new expertise to an already deep bench of scholars with rigorous academic credentials and high-level policy experience.

Examining the Systems that Promote Opportunity

The Center on Children and Families, led by Senior Fellows Isabel Sawhill and Ron Haskins, the Cabot Family Chair, convened the first annual Social Mobility Summit to examine the policy challenges posed by stagnant rates of social mobility. Organized by Policy Director Richard Reeves and featuring keynote remarks from Senator Kirsten Gillibrand (D-NY) and House Budget Committee Chair Paul Ryan (R-WI), the Summit focused on how events at critical life stages affect outcomes. Decisions on child-bearing are key determinants of success, and Sawhill’s new book, *Generation Unbound*, will offer insights into how family

“Don (Kohn) is always so wise and balanced that it is a delight to read anything that he writes. And I have this overwhelming sense that I should just say I agree with him.”

—Christina Romer,
former Chairman,
President’s Council of
Economic Advisors

Vice President and Director of Economic Studies Ted Gayer, the Joseph A. Pechman Senior Fellow (right), discusses the future of Fannie Mae and Freddie Mac with Director of the Federal Housing Finance Agency Mel Watt



PHOTO BY PAUL MORIGI

Distinguished Fellow in Residence Ben Bernanke (left) and Senior Fellow David Wessel, Director of the Hutchins Center on Fiscal and Monetary Policy (center), greet Stanley Fischer, Vice Chair of the Federal Reserve, prior to an event on central banking after the Great Recession



PHOTO BY PAUL MORIGI

Economic Studies

Examining the Fiscal Impacts of Retirement Trends

For the past two decades Americans over age 60 have increasingly delayed their exit from the workforce. This reversal of a century-old trend may help reduce the soaring costs of entitlement programs such as Social Security and Medicare. In *Closing the Deficit*, Senior Fellows Henry Aaron, the Bruce and Virginia MacLaury Chair, and Gary Burtless, the John C. and Nancy D. Whitehead Chair, explore the possible impact of this development on the federal deficit. As the nation faces a prolonged jobs gap and long-run fiscal challenges, *Closing the Deficit* provides an important look at a crucial segment of the employment market and presents a potential path for future recovery.

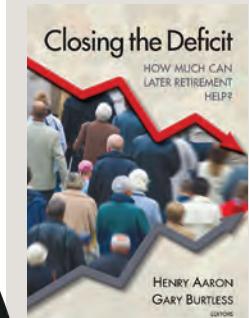


PHOTO BY PAUL MORIGI



Charles Evans, President of the Federal Reserve Bank of Chicago (second from right), contributes to a panel discussion on global monetary policy alongside (left to right) Vitor Constancio, Vice President of the European Central Bank; Senior Fellow Eswar Prasad, the New Century Chair in International Trade and Economics; Alexandre Tombini, Governor of the Central Bank of Brazil; and Raghuram Rajan, Governor of the Reserve Bank of India

structure impacts child well-being and social mobility.

The Center on Children and Families also launched the Social Mobility Memos blog, which explores the challenges of increasing social mobility and opportunity and provides recommendations on ways that education, family, and work can promote greater economic success.

Director of the Engelberg Center for Health Care Reform Alice Rivlin, the Leonard D. Schaeffer Chair in Health Policy Studies and the founding director of the Congressional Budget Office (center), stands with current CBO Director Douglas Elmendorf (left) and former Director Robert Reischauer



Sergio Marchionne, Chairman and CEO of Chrysler, gives his assessment of the government's 2009 bailout of the automotive industry

New Ways to Make Data Accessible

Data visualization can make complex information understandable to a wider audience. Economic Studies employs innovative approaches to making its research more accessible and compelling. For example, Hamilton Project Director Melissa Kearney made a video explaining the conclusions from her research on how popular television can influence teen pregnancy. A series of interactive maps showing county-by-county breakdowns of property taxes, income taxes, itemized deductions, and earned income credits was the most-viewed content on the Brookings website this year.

Graphs examining the persistent problem of long-term unemployment appeared in several media outlets, drawing more attention and readers to the *Brookings Papers on Economic Activity*, the program's flagship academic conference and publication.

In "Ten Questions You Were Afraid to Ask about Obamacare," Fellows (and practicing physicians) Kavita Patel and Darshak Sanghavi in the Engelberg Center for Health Care Reform discussed the basics and complexities of the Affordable Care Act in plain language.

"Brookings is stockpiling some of the best economic brainpower in America."

—Jon Hilsenrath, Chief Economics Correspondent, *Wall Street Journal*



PHOTO BY PAUL MORIGI



Concentrated Focus on Fiscal and Monetary Policy

How effective are monetary policies, such as sustained low interest rates and quantitative easing, at advancing the economic recovery and what risks might they pose for financial markets? How can fiscal policies such as tax reform better promote economic growth and help heal the labor market, while also achieving long-term sustainability? To help answer these important questions, Glenn Hutchins, chairman of the Second Century Campaign and vice chair of the Brookings Board, made a \$10 million grant through the Hutchins Family Foundation to establish the Hutchins Center on Fiscal and Monetary Policy.

With David Wessel, 30-year veteran of the *Wall Street Journal*, as director and an advisory council chaired by Lawrence Summers and N. Gregory Mankiw of Harvard, Hutchins Center scholars strengthen fiscal and monetary policy by generating new thinking and constructive criticism, and providing a forum for reasoned debate.

At the Hutchins Center launch, Brookings released papers by current and former central bankers on the zero lower bound, international banking reform, and risks to the Fed's independence. Ben Bernanke delivered the keynote address, just days before completing his term at the Fed and joining Brookings.

Hutchins Center experts also look at the global ramifications of policies. Wessel led a panel featuring Reserve Bank of India Governor Raghuram Rajan that discussed the global impact of the Federal Reserve scaling back long-term bond purchases. As China deregulates and liberalizes its financial sector,

Donald Kohn, the Robert S. Kerr Senior Fellow, shared lessons from U.S. and U.K. macroprudential regulation at Tsinghua University in Beijing.

PHOTO BY PAUL MORIGI

Assessing the Government's Role

With travelers facing rising costs, flight delays, and traffic congestion, and with the advent of new technologies such as driverless cars, Searle Freedom Trust Senior Fellow Clifford Winston examines the role of government in aiding or impeding transportation efficiency. His recent work includes an exploration of airport privatization, which found that "the potential annual benefits from private airport competition nationwide could amount to billions of dollars," improve travelers' welfare, and increase profitability of airlines and airports.

Over the past year, Winston, a microeconomist who specializes in the analysis of industrial organization, regulation, and transportation, has examined the application of market practices to infrastructure projects, public versus private sector effectiveness for strengthening the U.S. transportation system, and the government's ability to implement large projects like the Affordable Care Act website. By supporting experts like Winston, the Searle Freedom Trust helps Brookings bring a wide range of perspectives to its scholarship.

Searle Freedom Trust Senior Fellow Clifford Winston



PHOTO BY SHARON FARMER

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Interpreting a Changing World

Whether addressing overarching geopolitical trends or the erupting crisis of the moment, Foreign Policy scholars provide objective analysis, important context, and practical policy recommendations to inform public debate and help policymakers respond. With more than 40 full-time scholars, Foreign Policy's research agenda covers the world's critical regions and key issues such as energy security, non-proliferation, and humanitarian affairs. Bolstered by the work of overseas research centers in China, Qatar, and India, Foreign Policy is uniquely configured to address breaking developments and the interconnected challenges that affect the global order.

Defining New Roles for a New Reality

Foreign Policy launched the Project on International Order and Strategy in February to explore the global order and how critical countries are shaping its evolution, for good or for ill. Scholars like Senior Fellows Robert Kagan and Ted Piccone and Fellow Jeremy Shapiro are drawing on their State Department and White House experience to examine implications for U.S. strategy and global cooperation and provide policy recommendations.

"Superpowers Don't Get to Retire," Kagan's essay on U.S. leadership in *The New Republic*, catalyzed intense debate, including among President Obama and his top advisors. In *Still Ours to Lead: America, Rising Powers, and the Tension between Rivalry and Restraint*, Project Director and Deputy Director of Foreign Policy Bruce Jones, a former United Nations senior advisor, wrote about the future of international power through a U.S. lens.

Framing the Debate on Global Challenges

As negotiations with Iran over its nuclear program approached a turning point, Brookings experts provided balanced insights into Tehran's ambitions, its complicated internal politics, and potential courses of action. Senior Fellow Robert Einhorn, a former special advisor to the Secretary of State, delivered recommendations in *Preventing a Nuclear-Armed Iran*. Senior Fellow Kenneth Pollack explored worst-case scenarios in *Unthinkable: Iran, the Bomb, and American Strategy*, which was recognized among the *New York Times*'s 100 Notable Books of 2013. Senior Fellow Suzanne Maloney's widely followed *Iran@Brookings* blog provided a forum for discussion on questions involving Iran.

Brookings scholars were hard at work on other critical questions on the Middle East, with

"I think the Saban Forum... has done outstanding work, and it provides us a mechanism where we don't just scratch the surface of these issues."

—Barack Obama,
President, United States
of America



NATO Secretary-General Anders Fog Rasmussen (left) and Senior Fellow Fiona Hill, Director of the Center on the United States and Europe, confer ahead of an event examining how NATO is evolving to address new security challenges

PHOTO BY PAUL MORIGI

President of the United States Barack Obama speaks at the 10th annual Saban Forum



PHOTO BY RALPH ALSWANG

Foreign Policy

Dealing with the Rising Asian-Pacific Giant

China's rise poses a central strategic challenge for the United States, particularly as the emerging power asserts a larger international role and builds a modern military on top of its established economic strengths. There is no consensus among policymakers and pundits over whether the bilateral relationship will descend into dangerous confrontation or reach friendly collaboration. Senior Fellow Michael O'Hanlon, the Sydney Stein, Jr. Chair in International Security, and former Deputy Secretary of State James Steinberg explore this challenge in their book, *Strategic Reassurance and Resolve: U.S.-China Relations in the 21st Century*, which makes focused recommendations for establishing sustainable cooperation based on deliberate strategies to address the key security dynamics between them.



Martin Indyk, then-U.S. Special Envoy for Israeli-Palestinian Negotiations (left), discusses the Middle East peace negotiations with U.S. Secretary of State John Kerry in Paris in September 2013



PHOTO BY GLEN JOHNSON

experts examining prospects for democracy in Egypt, instability and crisis in Iraq, and broader relations between the U.S. and the Islamic world. Senior Fellow Elizabeth Ferris, co-director of the Project on Internal Displacement, presented recommendations for addressing the refugee crisis in Syria, while TÜSİAD Senior Fellow Kemal Kırıçlı, director of the Turkey Project in the Center on the United States and Europe, discussed refugee integration in Turkey. Vice President of Foreign Policy Martin Indyk took a leave of absence to serve as U.S. special envoy for Israeli-Palestinian negotiations, returning to Brookings on July 1, 2014.

Strengthening Scholarship on Asia

Foreign Policy scholars also examined the implications of rebalancing American policy toward Asia, which comes amid territorial conflicts in the East and South China Seas, Trans-Pacific Partnership trade negotiations, evolving energy policies, and shifting centers of power. Center for East Asia Policy Studies Director Richard Bush, the Michael H. Armacost Chair and the Chen-Fu and Cecilia Yen Koo Chair in Taiwan Studies, emphasized the importance of global connections: "Getting out of Afghanistan, staying out of Libya, Syria, and Ukraine, and working hard to get a nuclear deal with Iran—all strengthen the United States to play well in the main area of geopolitics: East Asia."

China is central to any conversation about Asia, and Foreign Policy enhanced its capacity on the country with the addition of two new center directors. Senior Fellow Cheng Li brings his knowledge of political transformation, generational



Chilean President Michelle Bachelet speaks during an Alan and Jane Batkin International Leaders Forum about her work to strengthen democracy and eliminate inequality in her country

PHOTO BY PAUL MORIGI

Rapid Response to Ukraine-Russia Crisis

As the Ukraine crisis evolved into a Ukraine-Russia dispute with major implications for relations between the West and Russia, Foreign Policy scholars provided insightful analysis and policy recommendations. Senior Fellow Clifford Gaddy and Fiona Hill, the Stephen and Barbara Friedman Senior Fellow and director of the Center on the United States and Europe, drew on their book *Mr. Putin: Operative in the Kremlin* to explain the calculations behind the Russian leader's actions. Senior Fellow Steven Pifer, former U.S. ambassador to Ukraine, complemented their work with his own analysis and recommendations for U.S. and European policy.

As the crisis deepened, Foreign Policy took a leadership role in explaining developments and policy options through op-eds in the *Washington Post*, *New York Times*, and *Financial Times*, as well as testimony on Capitol Hill and dozens of briefings with senior policymakers, senators, members of Congress, and the media. During the crisis, Foreign Policy hosted speeches by international leaders, including German Foreign Minister Frank-Walter Steinmeier in February and NATO Secretary-General Anders Fogh Rasmussen in March.

Brookings India Founders Circle

The Founders Circle is a group of business and civic leaders from India and the United States whose support and advice helped launch Brookings India in New Delhi in 2013.

Antoine van Agtmael, Garten Rothkopf
Nita Ambani and **Mukesh Ambani**, Reliance Industries Ltd.
Rahul Bajaj, Bajaj Auto Ltd.
Shyam S. Bhartia and **Hari S. Bhartia**, Jubilant Bhartia Group
Kumar Mangalam Birla, Aditya Birla Group
Gaurav Dalmia, Dalmia Group
Steven A. Denning, General Atlantic LLC
Swati Desai and **Nishith Desai**, Nishith Desai Associates
Adi Godrej, Godrej Group
Kris Gopalakrishnan, Infosys
Baba Kalyani, Bharat Forge
Onkar S. Kanwar and **Neeraj R. S. Kanwar**, Apollo Tyres
Rana Kapoor, YES Bank
Sunil Kaushal, Standard Chartered Bank
Charles R. Kaye, Warburg Pincus
Sid Khanna, IEP Fund Advisors Private Limited
Shiv Vikram Khemka and **Uday Khemka**, SUN Group
Geetanjali Kirloskar and **Vikram Kirloskar**, Kirloskar Systems Ltd.
Rajiv B. Lall, IDFC
Kiran Mazumdar-Shaw, Biocon
Rajan Bharti Mittal and **Rakesh Bharti Mittal**, Bharti Enterprises
Sanjay Nayar
Vineet Nayar and **Varun Nayar**, Sampark
Ajay Piramal, Piramal Enterprises Ltd.
Dattaraj V. Salgaocar, V. M. Salgaocar Group
Shardul Shroff and **Pallavi Shroff**, Amarchand & Mangaldas & Suresh A. Shroff & Co.
Malvinder Mohan Singh, Fortis Healthcare Limited
Harsh Pati Singhania, J.K. Organisation
Krishen Sud, Sivik Global Healthcare, Inc.
Tata Group
Adil Zainulbhui and **Ashraf Dahod**, Dawat-e-Hadiyah (America), a Corporation Sole
Arshad Zakaria, New Vernon Capital

Foreign Policy

A Front-Row Seat to Policy in Progress

Longtime Brookings Trustee Alan Batkin and his wife, Jane, made a new \$1 million commitment to establish the Alan and Jane Batkin International Leaders Forum Series, which enables Brookings to host foreign leaders for major policy addresses. The dedicated resources provided by this twenty-year term endowment will allow Foreign Policy to leverage Brookings's unparalleled convening power to provide a platform for visiting dignitaries to speak publicly about critical current issues with a high-level Washington audience.

Trustee Alan R. Batkin

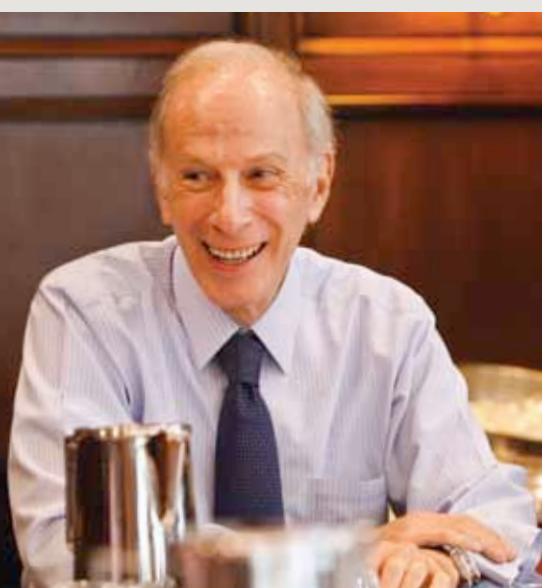


PHOTO BY PAUL MORIGI

change, and technological development to his role as director of the John L. Thornton China Center. Senior Fellow Qi Ye now heads the Brookings-Tsinghua Center for Public Policy in Beijing, where he delivers in-depth insights into how China is balancing its economic growth and environmental challenges.

The appointment of Katharine H.S. Moon as the inaugural SK-Korea Foundation Chair in Korea Studies further enriched Foreign Policy's Asia expertise. Under the direction of Fellow Tanvi Madan, the India Project will collaborate closely with Brookings India, the Institution's new center in New Delhi, to track developments in Asia's second emerging giant.



> Explore beyond the highlights. Visit brookings.edu/foreignpolicy or follow @BrookingsFP



Shaping the Global Economic Agenda

Under the leadership of Vice President and Director Kemal Derviș, the Edward M. Bernstein Scholar, the Global Economy and Development program continued to respond to the changing economic landscape around the world, offering analysis, debate, and recommendations on the issues that will determine our common future.

Trends in the Global Economy

Despite a predominantly favorable global narrative for developing countries' economic prospects, recent data shows weaknesses in many emerging economies. This has revived the debate on whether the "convergence" of average incomes is a long-term structural trend or just a cycle. Global scholars have been making the case that convergence as a "secular" trend is here to stay thanks to globalization and the spread of technology. This influential work includes Kemal Derviș's regular *Project Syndicate* column and Senior Fellow and New Century Chair in International Trade and Economics Eswar Prasad's *Tracking Indices in the Global Economic Recovery* (*TIGER*), a joint effort with the *Financial Times*.

Research by Global scholars has also highlighted differences among countries and regions,

including the specific difficulties in sustaining long-term growth in regions such as Latin America. The Brookings Global-CERES Economic and Social Policy in Latin America (ESPLA) Initiative's report *Latin America Macroeconomic Outlook in the Global Context: Are the Golden Years for Latin America Over?* was discussed and cited during the 2013 International Monetary Fund/World Bank Annual Meetings. In January 2014, the Africa Growth Initiative launched its annual *Foresight Africa* report at a full-house event.

Examining Prospects for Europe's Future

The May 2014 European Parliament elections came amid uncertainty over the European Union's political direction and challenges to its monetary union. Brookings experts engaged in research and dialogue on the region's long-term growth prospects and a renewed vision for the European Union in the 2020s. Global released *Europe's Crisis, Europe's Future*, which examined the crisis from its onset to draw policy lessons for domestic and international finance and social policies. Supported by a grant from the Stavros Niarchos Foundation and launched in Athens, Greece: *From Exit to Recovery?* discussed the country's experience in the financial crisis, from its adoption of the euro

"In such a connected age, where we are all looking for solutions, often to problems we are all experiencing, having people who can bring you together like Brookings is so important to getting it right."

—Julia Gillard, former Prime Minister, Australia

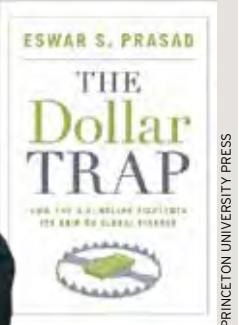


Liu Yandong, Vice Premier of the People's Republic of China, and Hillary Rodham Clinton, former U.S. Secretary of State (right), discuss the importance of early childhood development programs and their potential for accelerating long-term economic growth and productivity

PHOTO BY PAUL MORIGI



Then-Prime Minister of Italy Enrico Letta talks with Vice President and Director of Global Economy and Development Kemal Derviș and Nonresident Senior Fellow Carlo Bastasin (right to left) ahead of an address in which he outlined his views on how Italy and Europe should move forward following the economic crisis



PRINCETON UNIVERSITY PRESS

The Paradox of U.S. Dollar Dominance

Even with rising debt, political dysfunction, and years of unconventional monetary policies, the U.S. dollar remains the world's most trusted reserve currency. Senior Fellow Eswar Prasad, the New Century Chair in International Trade and Economics, examined this paradox in *The Dollar Trap: How the U.S. Dollar Tightened Its Grip on Global Finance*. "The U.S. is not eager to keep its currency strong. This inevitably leads countries to focus on exports to boost growth," he explained in the *Wall Street Journal*—among the many media outlets, including the *Harvard Business Review* and the *Financial Times*, that covered the book.



Senior Fellow and Deputy Director of Global Economy and Development Homi Kharas (right) listens as Rajiv Shah, Administrator of the U.S. Agency for International Development, discusses the role of the U.S. government in the fight against global poverty

PHOTO BY PAUL MORIGI



President of the African Development Bank Donald Kaberuka offers insight on the importance of finding new and efficient ways to leverage private capital in Africa, as well as maximizing and sharing revenues from African countries' natural resources

PHOTO BY CHRIS MADDALONI

Informing the U.S.-Africa Economic Relationship

For years, U.S. engagement in Africa has emphasized poverty reduction, foreign aid, and addressing catastrophes like the tragic spread of HIV/AIDS. While important, these priorities have not kept pace with Africa's emergence as a premier site of innovation and entrepreneurship. The Africa Growth Initiative continued to engage U.S. policymakers around the trade and investment agenda, including Power Africa, Trade Africa, the Africa Growth and Opportunity Act (AGOA), and the pending Electrify Africa Act.

Brookings convened thought leaders on these issues through its *Africa Policy Dialogue on the Hill*, held in partnership with the Congressional African Staff Association. Global scholars testified on the African Economic Community before the Subcommittee on Africa, Global Health, Global Human Rights, and International Organizations. This work coalesced around the U.S.-Africa Leaders Summit in August 2014, for which Brookings offered the White House recommendations on the Summit's structure, format, and agenda and convened a high-level public forum that featured a dynamic group of business leaders, entrepreneurs, and public figures.



Carol Graham, the Leo Pasvolsky Senior Fellow (left), explores the economics of happiness with Dan Harris of ABC News at an event in New York's Bryant Park

PHOTO BY ANGELITO JUSAY

U.S. Trade Representative Michael Froman discusses how U.S. trade policy, including the African Growth and Opportunity Act (AGOA), must adapt to shifts in the global economic landscape



PHOTO BY SHARON FARMER

Global Economy and Development

Support for Global Education

In June 2014, Foreign Minister of Norway Børge Brende and Brookings President Strobe Talbott signed a Memorandum of Understanding for Norway's intent to support the Center for Universal Education with a gift of \$4 million over three years. This grant will support independent policy research and dialogue on the global education agenda, how learning is measured, the improvement of education resources, and reaching the most marginalized children and youth around the world. Brookings is grateful for Norway's long-standing support of the Foreign Policy program, as well as previous support for work on international climate policy, and looks forward to broadening its relationship to focus on improving global education.

Distinguished Fellow Julia Gillard, Senior Fellow and Director of the Center for Universal Education; Rebecca Winthrop, President Strobe Talbott, Norwegian Ambassador to the United States Kåre Aas, and Norwegian Foreign Minister Børge Brende (left to right)



Building Consensus on Global Education

As part of Global's work on development, the Center for Universal Education has partnered with UNESCO's Institute of Statistics to convene a global task force to develop and build consensus around new ways to globally measure what matters in education. This effort has included active participation by ministers of education and other actors in over 100 countries. Former Prime Minister of Australia Julia Gillard, now a distinguished fellow at Brookings, is working closely with the Center to identify ways to scale up and finance quality learning opportunities and make education, especially for girls, a global priority.

Explore beyond the highlights.
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Timely Messengers of Independent Insight

PHOTO BY JEWEL SAMAD/GETTY IMAGES

From implementation of the Affordable Care Act to the implications of the NSA leaks, Governance Studies scholars helped leaders and citizens understand complex policy issues in the United States and around the world.

Advising through a Government Shutdown

On the eve of the 2013 government shutdown, Brookings launched the Center for Effective Public Management and its accompanying policy blog, FixGov. Under the direction of Senior Fellow and founding Director Elaine Kamarck, Center experts provided insights on the impasse and possible resolutions.

"This shutdown, if it comes to pass, will cost billions of dollars," Senior Fellow Thomas Mann, the W. Averell Harriman Chair in American Governance, told C-SPAN. Kamarck shared ideas for fixing a broken Congress, while Senior Fellow Sarah Binder interpreted unfolding events for the *Washington Post's* Monkey Cage blog.

What effect will continuing discord on Capitol Hill have on budget negotiations and the task of governing? Two reports—"2013 American Values Survey: Libertarianism in the 21st Century" and "Faith in Equality: Economic Justice and the Future

of American Progressives"—dove deep into partisan views, while FixGov delivered timely analysis on the congressional primaries.

FixGov is the most viewed blog on the Brookings website, with readers from inside and outside Washington, and has been cited in major outlets including *Politico*, *Huffington Post*, and CNN. By using #FixGov on Twitter, the public can be part of the conversation. FixGov includes resources such as graphs on different dimensions of gridlock, a review of the Tea Party's GOP battles, and examinations of issues from "Why the McCutcheon Decision is Worse than it Looks" to what Affordable Care Act enrollment trends mean for Democratic candidates to comparisons of marijuana legalization in Colorado and Washington.

The Center also launched the Initiative on 21st Century Capitalism to examine the purpose of the corporation and how stakeholders' understanding of it—including issues of executive compensation and short-term trading—drives public policy and regulatory decisions.

Giving Educators and Industry an Objective View

Brookings experts also provided an independent voice to hotly debated issues in education.

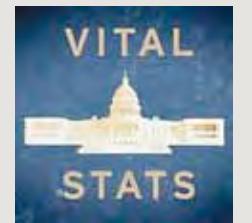
"(The Center for Effective Public Management) really is at the heart of what we need to do to make the United States of America what our founders intended and what our people deserve."

—Al Gore, Jr., 45th Vice President, United States of America



PHOTO BY PAUL MORI

Co-Chair of the Board David Rubenstein (left) and Vice President of Governance Studies Darrell West (center) speak with former Vice President of the United States Al Gore prior to the launch of the Center for Effective Public Management



Bringing Data to the People

For more than 30 years, Senior Fellow Thomas Mann and his collaborator, Norman Ornstein of the American Enterprise Institute, have produced *Vital Statistics on Congress*, a unique examination of Congress and its members. This year, Governance Studies brought this hallmark publication online, making each chapter's data sets available as downloadable PDFs and Excel spreadsheets. Members of the general public were encouraged to explore and submit their own analyses and findings about Congressional demographics, election trends, and campaign finance. Governance Studies also produced an innovative multimedia video that explored some of the statistics in greater detail.



PHOTO BY TOM WILLIAMS

Senior Fellow Benjamin Wittes, Editor in Chief of Lawfare, testifies before the Senate Intelligence Committee about the NSA's surveillance program



Senator Lisa Murkowski (R-AK) with Brookings Managing Director William Antholis

Authored by Senior Fellow Tom Loveless, the 2014 Brown Center Report on American Education revealed that “after all of the debate, the costs in tax revenue, and blood, sweat, and tears going into implementation,” some states with Common Core-like standards did not see gains in some test scores. The Report’s investigation of homework found that, despite recent media portrayals, only a small minority of students has a heavy homework load and that it has not increased for the average student.

As information technology evolves at a break-neck pace, the policy frameworks for governing new innovations are lagging behind. To help business leaders and policymakers stay ahead of the technology policy curve, the Center for Technology Innovation launched the TechTank blog to examine key questions in areas such as health care, education, economic development, innovation, and governance. In addition, Vice President and Director of Governance Studies Darrell West, the Douglas Dillon Chair in Governance Studies, testified on Capitol Hill about wireless spectrum governance and wrote about “How Mobile Devices Are Transforming Disaster Relief and Public Safety” for the Center’s Mobile Economy Project.



**Senior Fellow
Elaine Kamarck,
Director of
the Center for
Effective Public
Management,
at the Center's
launch in
September 2013**

Amplifying Brookings Scholarship

From Jonathan Rauch’s *Atlantic* cover story on the gay marriage movement to a Brown Center Chalkboard post on deeper learning, Brookings scholarship gained traction in traditional and online media outlets.

Senior Fellow William Galston, the Ezra K. Zilkha Chair in Governance Studies, became a regular columnist at the *Wall Street Journal*, writing about the “barista economy,” the social contract, and other topics at the intersection of governance and socioeconomic trends. Meanwhile, Senior Fellow E.J. Dionne, Jr. augmented the reach of his regular *Washington Post* column with frequent tweets to his some 75,000 followers.

Using a comprehensive media outreach strategy and a range of tools, from blogs and Twitter to op-eds and press interviews, Governance Studies drove engagement with its scholars’ research, analysis, and commentary, connecting with policymakers and the public around the world.



Professor Nathaniel Persily of Stanford Law School (right) responds to a question from Senior Fellow Thomas Mann at an event on voting rights after the Supreme Court's decision in *Shelby County vs. Holder*



Cameron Kerry, the Ann R. and Andrew H. Tisch Distinguished Visiting Fellow, moderates a conversation with Microsoft General Counsel and Executive Vice President Brad Smith (left) at an event on “The Future of Global Technology, Privacy, and Regulation”

Privacy, National Security, and the Law

Edward Snowden’s leak of classified National Security Agency (NSA) intelligence transformed the data security and privacy landscape. Under the leadership of Senior Fellow Benjamin Wittes, the Lawfare blog produced “Inside NSA: We Brought in a Recording Device So You Don’t Have To,” an exclusive series of podcasts with NSA officials discussing topics ranging from content versus metadata collection in surveillance efforts to corporate responsibility for customer information.

These subjects joined the many hard security choices examined by Governance Studies. National Security Law Fellow and Managing Editor of Lawfare Wells Bennett wrote extensively about new paradigms for prosecuting terrorism suspects, while guest speaker Robert Litt, general counsel with the Office of the Directorate of National Intelligence, discussed legal questions surrounding the agency’s data collection methods.

Governance Studies

Continued Support for Research on School Choice

Charter schools—which didn’t even exist 25 years ago—now have a student market share of least 20 percent in 32 large school districts. As part of efforts to provide exemplary education for all children, school choice and competition—through charters and open enrollment in regular public schools—have entered public discussion as empirically promising components of public school reform.

With support from the Walton Family Foundation, the Brown Center on Education Policy has, since 2011, produced the Education Choice and Competition Index (ECCI), which scores large school districts in 13 categories of policy and practice. These criteria include less-examined factors—like availability of transportation—that impact lower-income families’ ability to choose schools. ECCI presents the data in an interactive format intended to create public awareness of the differences among districts in their support of school choice, provide a framework for improving choice and competition, and recognize leaders among school districts in choice and competition systems.

In 2014, the Walton Family Foundation renewed its funding for ECCI, continuing to enable scholarship that charts and analyzes developments in education choice and competition.

Senior Fellow Grover “Russ” Whitehurst, the Herman and George R. Brown Chair in Education Studies and Director of the Brown Center on Education Policy, announces findings from the 2013 Education Choice and Competition Index report



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Empowering Cities and Metropolitan Areas

PHOTO BY DAVID GN PHOTOGRAPHY/GETTY IMAGES

In an era marked by economic volatility and demographic transformation, cities and metropolitan areas face supersized challenges. An increasingly gridlocked federal government means that cities, metro areas, and their state partners must be at the vanguard of problem-solving. The mission of the Metropolitan Policy Program is to support them.

Galvanizing Cities to Go Global

Now in its third year, the Global Cities Initiative: A Joint Project of Brookings and JPMorgan Chase is helping metropolitan areas grow jobs through trade. The Initiative's newly launched Global Cities Exchange works with 21 metropolitan areas nationwide on developing and executing strategies to increase economic competitiveness by focusing on exports and foreign direct investment. Portland, Oregon's metro export plan is already creating new business opportunities in Japan, Brazil, and China for its sustainability firms.

At a GCI forum in November 2013, Chicago Mayor Rahm Emanuel and Mexico City Mayor Miguel Ángel Mancera entered into a Global Cities Economic Partnership. This first-of-its-kind agreement aims to increase employment, expand advanced industries, and strengthen global com-

petitiveness through joint initiatives in trade, innovation, and education.

"Metro North America" by Research Analyst Joseph Parilla and Senior Fellow and Deputy Director Alan Berube identified the top metropolitan trading relationships in the U.S., Canada, and Mexico. "FDI in U.S. Metro Areas" by Senior Policy Analyst and Associate Fellow Devashree Saha, Policy Analyst Kenan Fikri, and Senior Research Assistant Nick Marchio tracked foreign direct investment at the metropolitan level for the first time.

Supporting the Advanced Economy

Advanced industries—such as automotive, aerospace, and information technology—are at the heart of a strong metropolitan economy, driving innovation and productivity through high rates of research and development investment and employing disproportionate numbers of skilled STEM (science, technology, engineering, and math) workers.

In "The Hidden STEM Economy," Associate Fellow Jonathan Rothwell demonstrated that one in five U.S. jobs relies on a high level of STEM skills. These skills increasingly power advanced manufacturing and services industries and connect

"Local governments and civil society, as well as business leaders and urban planners, have come together to chart their own course to spark job creation and catalyze long-term economic growth."

—Judith Rodin,
President, Rockefeller
Foundation, in the
foreword to *The
Metropolitan Revolution*



Mexico City Mayor Miguel Ángel Mancera (left) and Chicago Mayor Rahm Emanuel sign an economic partnership agreement, stewarded by the Global Cities Initiative, to strengthen the relationship between the two cities and expand job growth and economic opportunities

PHOTO BY AQULES DUARTE



Trustee Peter Scher and former U.S. Trade Representative Carla Hills listen as William Daley, former Chief of Staff under President Obama (left to right), discusses issues in global trade at a Global Cities Initiative forum in Phoenix, Arizona

Inspiring Action in Cities and Metropolitan Areas

In June 2013, Brookings released *The Metropolitan Revolution* by Vice President Bruce Katz and Fellow Jennifer Bradley. The book—Brookings's best-selling in the past five years—is changing the way political, business, philanthropic, and civic leaders across the country collaborate to compete.

Manufacturing has become a priority again in Louisville and Lexington, and San Antonio and Miami are investing in infrastructure. Chicago and New York City are training workers with the skills they need, while St. Louis and Detroit are stewarding nascent innovation districts and San Diego and Portland are designing globally focused economic strategies. *The Metropolitan Revolution* has received widespread media coverage from key opinion-makers including columns by David Brooks and Thomas Friedman of the *New York Times* and Edward Luce of the *Financial Times*.

The Metropolitan Revolution app explains what the metro revolution is, why it matters, and how to get involved

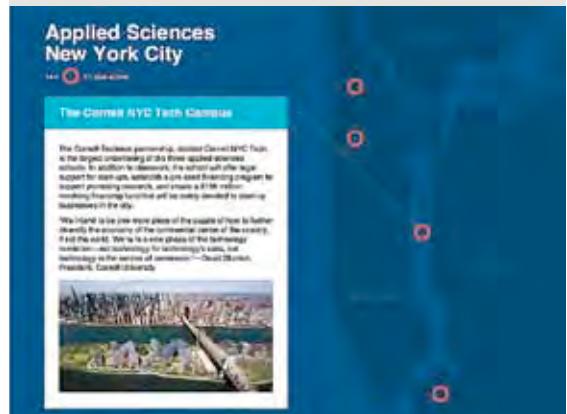


PHOTO BY BRETT CAMPBELL



PHOTO BY RALPH ALSWANG

Yuki Noguchi of NPR leads a conversation with Tennessee Governor Bill Haslam and Colorado Governor John Hickenlooper (left to right) on their efforts to expand advanced industries and the need for a supportive federal platform

Greater Seattle's Latest Innovation Capacity: Smart Buildings

Three years ago, Metro worked with leaders in the Puget Sound region through the Brookings-Rockefeller Project on State and Metropolitan Innovation to help develop a plan for maintaining Greater Seattle's edge as a center of innovation.

Today the region is developing new capabilities in smart building technologies to meet rising global demand. The Puget Sound Regional Council organized public and private leaders to harness the region's unparalleled market strengths in software and information technology, strong sustainability ethos, and network of higher education institutions to design, test, and scale new data- and technology-driven energy efficiency solutions.

The three-pronged "Smart Building" effort is already delivering results. These efforts include the launch of a high-performance buildings pilot at four sites to test energy consumption-management using cloud computing, the opening of a Smart Buildings Center hub, and a new sustainable building technology degree program at a community college.

The Seattle region is, like other metro areas that have benefited from the support of the Brookings-Rockefeller Project, improving its innovation, trade, and skills assets to further growth and prosperity in the next economy.



CEO of the Henry Ford Health System Nancy M. Schlichting (left), Detroit Mayor Mike Duggan (second from right), and Detroit City Council President Brenda Jones (far right) listen as Vice President and Co-Director of the Metropolitan Policy Program Bruce Katz discusses the role of innovation districts in fostering economic growth in Detroit

millions of workers with less than a bachelor's degree to well-paying jobs in fields such as health care, computer systems, and installation and maintenance.

In February 2014, Metro hosted Colorado Governor John Hickenlooper and Tennessee Governor Bill Haslam at an event that highlighted efforts to bolster advanced industries in their states. Tennessee used recommendations from the Brookings report "Drive!" to launch a \$10 million Skills Gap Grant Competition encouraging workforce innovation. Colorado referenced the Brookings report "Launch!" in its creation of a 10-year, \$150 million matching grant program to accelerate commercialization of the state's advanced industry technologies.

Senior Fellow and Co-Director of the Metropolitan Policy Program Amy Liu (left) greets Gene Sperling, Director of the National Economic Council and Assistant to the President for Economic Policy, before an address in which he laid out the Obama administration's perspective on U.S. manufacturing

Increasing numbers of companies from advanced services sectors, like software and life sciences, are concentrating in urban-centered innovation districts. Vice President and Co-Director of the Metropolitan Policy Program Bruce Katz, the Adeline M. and Alfred I. Johnson Chair in Urban and Metropolitan Policy, and Nonresident Senior Fellow Julie Wagner explained in "The Rise of Innovation Districts" how these districts, from Cambridge's Kendall Square to Seattle's South Lake Union, are combining the economic, physical, and networking assets that help innovative firms and workers thrive. In June 2014, with support from Brookings, Detroit Mayor Mike Duggan announced plans to establish an innovation district in his city in collaboration with university, civic, and corporate leaders.

Promoting Opportunity for All

Six years after the start of the Great Recession, falling unemployment and rising output at the national level belie the continued economic struggles facing many workers and families. In "The Plummeting Labor Market Fortunes of Teens and Young Adults," Fellow Martha Ross and other authors found that younger workers are bearing the brunt of those struggles. Rising inequality has become a focal point for debate, particularly in major cities like New York, San Francisco, and Boston. In "All Cities Are Not Created Unequal," Senior Fellow Alan Berube found that inequality in these cities is much higher than the national average and that mayors can do more to promote social and economic mobility.

Efforts to reduce inequality and promote employment opportunities must go beyond summer jobs and minimum wage programs, however. In "Beyond Shovel Ready," Senior Fellow Rob Puentes and Research Assistant Joseph Kane provided the first-ever definition of infrastructure jobs, which offer above-average wages to individuals without a college degree, and argued that policymakers should focus on the opportunity these 14 million (and growing) infrastructure jobs present.



PHOTO BY KEVIN BECKER/ALLEÉ PHOTOGRAPHY

Denver Mayor Michael Hancock (left) stands with former Chicago Mayor Richard Daley, Chairman of the Global Cities Initiative, after participating in a GCI forum in Denver, Colorado

Metropolitan Policy

Learning from Our Stakeholders

The Metropolitan Policy Program relies heavily on the Metropolitan Leadership Council—a network of business, civic, and philanthropic leaders—as financial and intellectual partners. This group of stakeholders advances and supports solutions that leverage the unique assets of partner metropolitan areas.

In October 2013, Metro presented plans to the Council on research and policy work, on-the-ground engagements, and network-building activities for three of the Program's emerging areas of work: skills and the advanced economy, transformative infrastructure, and innovation districts.

The gathering also included a special discussion on the future of Detroit. Moderated by Fellow Jennifer Bradley, the discussion featured the Kresge Foundation's Laura Trudeau, the Detroit Economic Growth Corporation's George Jackson, and Vice President of the Metropolitan Policy Program Bruce Katz. Panelists discussed the investments underway in Detroit and the implications of Detroit's bankruptcy for other cities and metropolitan areas.

Engagement with the Metropolitan Leadership Council at the October meeting and throughout the year was crucial to the successful development of Metro's emerging areas of work.



> Explore beyond the highlights. Visit brookings.edu/metro or follow @BrookingsMetro



Building the Future of Policy Research

The challenges facing the U.S. and the international community when Brookings was founded in 1916 were very different from those the world is dealing with today. The tools to overcome them, though, remain the same—effective policymaking driven by an engaged, informed citizenry and undergirded by high-quality, independent research. As Brookings approaches its centenary and with the policy agenda growing at an unprecedented pace, Brookings launched the \$600 million Second Century Campaign—the largest in think tank history—to build capacity to tackle pressing issues and reach new audiences.

As of the launch of the Campaign in October 2013, generous contributors had already committed nearly \$400 million toward that total. “The Second Century Campaign will provide the means for our scholars to elevate their game and to take on the problems that may seem intractable and insoluble but that we can and will fix,” said Campaign Chair Glenn Hutchins. President Strobe

Talbott added, “For Brookings to address the nation’s crises, we need to be confident of our own fiscal sustainability over the long term.”

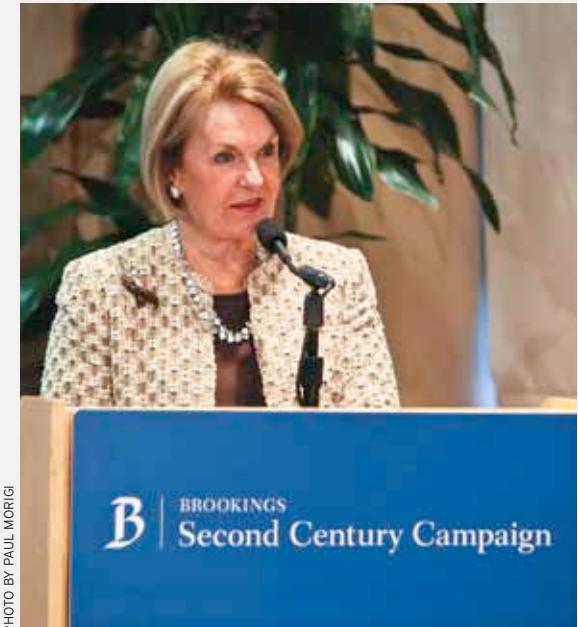
Co-Chair of the Board John Thornton noted the critical role of donors to Brookings’s success. “We haven’t gotten here alone. It has taken generous investments throughout our history to build an Institution as distinctive and lasting as this. That remains as true today as it was when Robert Brookings came to Washington.”

The problems the world will face at the end of our second century in 2116 are hard to predict. But two things are certain: they will be even more complex and interconnected, and Brookings will be in great demand to provide the kind of research and analysis that has made it the indispensable resource it is today. There will be Brookings moments like so many that have come before—when the challenges are immense and governing institutions are not up to the task of solving them. Now is the time to help meet those challenges head on by investing in Brookings’s future.

The Second Century Campaign

“In a time when our politics are archly divisive and we cannot even perform the basic tasks of governance, Brookings is prepared and able to lead. Leadership takes resources, which is what makes the Second Century Campaign so vitally important.”

—Glenn Hutchins,
Chair, Second Century
Campaign and Vice
Chair, Board of Trustees



Trustee Victoria P. Sant explains why she chooses to engage with Brookings’s work during the launch of the Second Century Campaign in October 2013.



Co-Chair of the Board John Thornton and President Strobe Talbott listen as Second Century Campaign Chair and Vice Chair of the Board Glenn Hutchins (left to right) explains how the Campaign will elevate Brookings’s work to meet the needs of an ever-more complex and interconnected world.



Connecting People with Innovative Thinking

The terrific work that Brookings experts do to help policymakers is driven by the engine of philanthropy. Resources contributed by Brookings donors—individuals, corporations, foundations, and governments—enable Brookings to bring together top minds for informed discussion of pressing issues. Through dedicated outreach and frequent opportunities to hear from Brookings experts, the Institution connects its supporters with innovative ideas that shape the public debate, frame the policy agenda, and advance practical solutions to meet the challenges of today's world.

Engaging Private Sector Leaders with Policy Research

Through the Brookings Council, business and community leaders are able to speak with Brookings experts in intimate settings and private meetings. The Council's annual program of scholar briefings, panel discussions, conference calls, and other activities enables real dialogue on key issues and breaking developments across the world. Council members bring an important perspective to Brookings' research as well, since so many of them are working on the front lines of the U.S. and global economy. Their real-world experiences ground Brookings



Then-Acting Vice President of Foreign Policy Ted Piccone listens as Vice Chair of the Board Suzanne Nora Johnson (right) leads a conversation on issues facing policymakers and business leaders in Latin America during a session of the 2014 International Advisory Council meeting



Co-Chair of the Board John Thornton speaks with Trustee Paul Achleitner during a break at a Board meeting



Co-Chair of the Board David Rubenstein welcomes Trustees and members of the International Advisory Council to dinner at the Newseum, which featured remarks from U.S. Secretary of State John Kerry



Trustee Phil Knight discusses Brookings's research agenda with Distinguished Fellow Javier Solana (right)



Co-Chair of the International Advisory Council and Trustee Antoine van Agtmael (right) and Trustee Alfonso Fanjul listen as a panel of Brookings experts discusses developments in the Arab Spring countries three years after the popular uprisings

scholarship and strengthen understanding of how economic, social, and foreign policy responses to issues may play out when they are implemented. Brookings is grateful to the Council for its financial support and intellectual engagement in the Institution's scholarship.

The Robert S. Brookings Society, launched in 2013, provides a forum for emerging professionals and leaders to engage with top experts from Brookings on the most critical public policy questions facing decisionmakers in the U.S. and around the world. The Society gets a first look at Brookings research and analysis and invitations to exclusive events that offer opportunities for rich intellectual exchanges with Brookings scholars and a network of peers. Most recently, the Society calendar has featured conversations with Senior Fellow Thomas Mann, Fellows Douglas Elliot and Richard Reeves, and President Strobe Talbott.

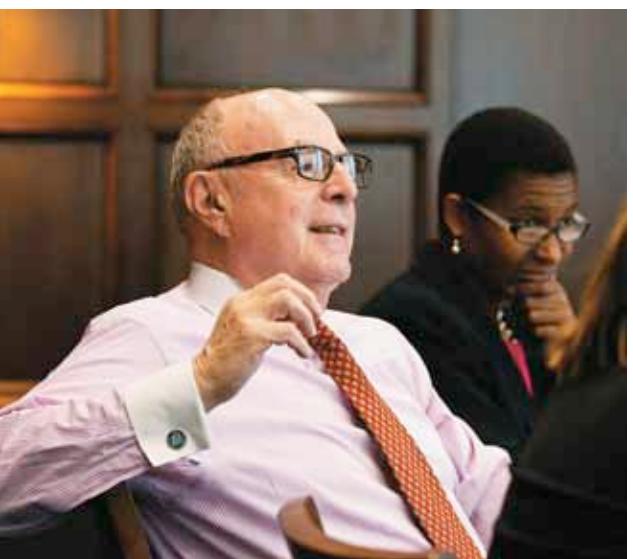
Brookings Beyond the Beltway ...and Across the Globe

Brookings has been an important part of the Washington policy community for nearly a century. But, as gridlock in the federal government has forced state- and local-level leaders to take more responsibility for solving problems, there has been an increased demand for high-quality policy research and analysis outside the nation's capital.

To answer this need, Brookings has begun expanding Council activities beyond its longstanding cities of Washington and New York to connect new audiences with innovative ideas for meeting the most difficult challenges. In Los Angeles, Trustee Robert Abernethy hosted Peter W. Singer, then-Senior Fellow and Director of the Center on 21st Century Security and Intelligence, and in Boston,



Co-Chair of the International Advisory Council and Trustee Paul Desmarais, Jr. shares his key takeaways from the 2014 International Advisory Council meeting



Trustee Bart Friedman (left) participates in a Nominations and Governance Committee meeting alongside General Counsel Ona Alston Dosunmu



President Strobe Talbott listens as Starbucks Chairman, President, and CEO Howard Schultz (left) explains his company's smart growth strategy during a Board of Trustees meeting in Seattle



Participants in the U.S. Study Tour visit a pilot plant at Genentech's research facility in San Francisco



Trustee Hanzade Doğan Boyner leads a conversation on the recent financial uncertainty in Europe during a session of the 2014 International Advisory Council meeting



A Firsthand View of America's Future

Empirical research and scholarly analysis about the drivers of innovation, entrepreneurship, and economic growth can provide valuable insights into pivotal issues. But for getting deeper into the important questions, there's no substitute for experiencing them firsthand through conversations with public and private sector decisionmakers and visits to key facilities where the future is coming to life. To give members of the Board of Trustees and the International Advisory Council these unique opportunities, Brookings organized its first domestic study tour, building on previous international excursions to Russia, China, India, and Cuba. Starting in Seattle, where the group joined substantive sessions at the Brookings Board meeting, the itinerary included stops in Williston, North Dakota, Las Vegas, and Silicon Valley.

Over the course of a busy week, the travelers met with business leaders like Starbucks Chairman, President, and CEO Howard Schultz and visited innovation centers including Microsoft's campus, where they heard from then-CEO Steve Ballmer, Boeing's Everett Delivery Center, Tesla Motors, and Genentech's pilot plant. Tour participants also saw fracking operations in the frigid oil fields of the Bakken formation and took an exclusive tour of the Hoover Dam.

Throughout the trip, travelers gained new and valuable insights into an American renaissance built on growing energy independence, a commitment to innovation, and pragmatic, problem-solving leadership at the state and local levels.

Trustee Lawrence Fish hosted Managing Director Bill Antholis and Trustee Ann Fudge hosted Vice President of Governance Studies Darrell West. Looking ahead, Brookings is planning an expanded presence in additional cities, including Chicago and San Francisco.

An increasingly interconnected and globalized world also has an increased interest in policy-relevant research to help inform the international community about options for tackling important challenges. Brookings opened overseas centers in Beijing in 2006 and in Doha in 2008 to provide regional platforms for discourse on issues facing Asia and the Middle East. Both centers are firmly established as valued resources for the media and the public and private sectors and have established critical links with the work that Brookings experts are doing in Washington.

With the support of the Brookings India Founders Circle—a group of business and civic leaders from India and the United States—the Institution launched Brookings India in 2013. The center in New Delhi is a resource for developing practical solutions for the challenges facing the world's largest democracy. Indian experts are working closely with colleagues in the Brookings India Project in Washington to elevate the profile of India-related issues with policymakers around the world.

Through public and private events, frequent publications, and media outreach, Brookings experts across the U.S. and internationally are having a major impact on global policy debates. An expanded presence and network help broaden the Institution's national and international reach and provides opportunities for engagement with new audiences.



Trustees Al Engelberg (left) and Tracy Wostencroft confer after the launch of the Second Century Campaign



Trustee Pete Higgins (left) talks with Vice President and Co-Director of the Metropolitan Policy Program Bruce Katz, the Adeline M. and Alfred I. Johnson Chair in Urban and Metropolitan Policy



Trustees Cheryl Cohen Effron, Crandall Bowles, and Ellen Futter (left to right) at the March Board meeting



Trustees Ezra Zilkha (right) and Ben Jacobs exchange views between sessions at the March Board meeting



Trustee Abby Joseph Cohen (right) listens as Trustee Cyrus Freidheim, Jr. poses a question during a joint meeting of the Board and International Advisory Council



Brookings Council member Joanne Barker (left) and Trustee Beatrice Welters discuss the themes President Clinton laid out in his remarks during the inaugural Robert S. Brookings President's Lecture

Support for Brookings

Brookings Welcomes Four New Trustees

Brookings elected four new Trustees to the Board in 2014. They join a distinguished group of leading business executives, academics, and community leaders who help govern the affairs of the Institution. The Board, which meets three times per year, approves the fields of scholarly investigation and safeguards the independence of the Institution's work. Brookings welcomes its newest members to the Board of Trustees:



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Betsy Z. Cohen
Chief Executive Officer
The Bancorp



Arthur R. Collins
Managing Partner
theGROUP



Peter Scher
Executive Vice President and
Head of Corporate Responsibility
JPMorgan Chase & Co.

Expanding Leadership to Meet the Challenges of the Next Century

In response to an annual budget that has nearly doubled and a footprint that now includes three international centers and several new initiatives, Brookings added a new position of co-chair of the Board of Trustees. Joining John L. Thornton, who has been chair of the Board since 2002, David M. Rubenstein, co-founder and co-CEO of the Carlyle Group and a Brookings Board member since 2009, brings substantial management experience to the leadership of the Institution.

Fostering Global Engagement through the International Advisory Council

The Brookings International Advisory Council, established in 2006, brings together business and community leaders from across the world for in-depth discussions of global challenges.

With 34 members from 25 countries on five continents, the Council helps give Brookings research a truly global perspective and helps expand the reach of its impact. Throughout the year, members of the Council have opportunities to engage with Brookings experts in Washington and their home countries.

The centerpiece of the International Advisory Council is its annual meeting in Washington, which features a range of panel discussions and conversations with Brookings scholars, along with opportunities to hear from senior policymakers. These meetings enable members to share their views and give insights into pressing policy topics and how breaking events affect their home countries and regions.

2014 International Advisory Council Meeting: The Return of Geopolitics

The Brookings International Advisory Council convened in Washington for its ninth annual gathering at a time of increased attention to geopolitics and the global economic issues that drive business decisionmaking around the world. Through sessions on Asia, the Middle East, Latin America, Europe, American leadership and competitiveness, social mobility, and NSA surveillance, as well as briefings from Secretary of State John Kerry and other senior policymakers, members of the Council explored critical issues around the world.

Russia's incursion into Ukraine—and whether it heralds a return to the great power struggles of the previous century—found its way into almost every discussion. Likewise, with Europe having just concluded parliamentary elections, participants examined the messages that voters had sent to their home governments and implications for the future of the European Union. China also came in for close examination, as the effects of its slowing growth ripple outward to the rest of the global economy and its territorial disputes with Japan, Vietnam, and the Philippines threaten to escalate.

PHOTO BY PAUL MORIGI



Senior Fellow Fiona Hill, Director of the Center on the United States and Europe, discusses the impact of the situation in Ukraine on the European Union and NATO during a session of the 2014 International Advisory Council meeting

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Years Ended June 30, 2014 and 2013 (in thousands)
Preliminary and Unaudited*

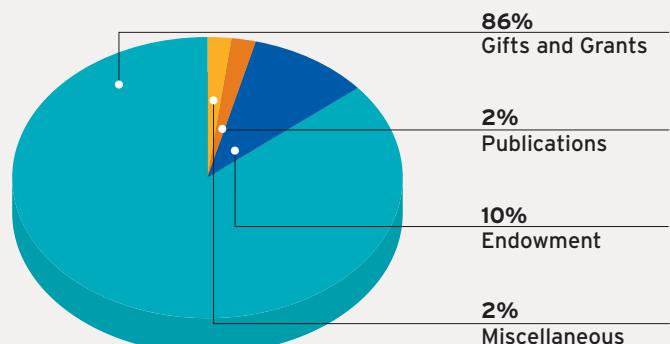
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	FY 2014 TOTAL	FY 2013 TOTAL
OPERATING ACTIVITIES					
Revenue and Support					
Investment return designated for operations	\$ 10,202	\$ 3,261	—	\$ 13,463	\$ 12,996
Grants, contracts, and contributions	14,720	68,768	\$ 6,238	89,726	80,277
Brookings Press	1,829	—	—	1,829	1,716
Facility and other revenue	2,563	(19)	—	2,544	2,574
Net assets released from restrictions— Satisfaction of program restrictions	71,639	(71,639)	—	—	—
Total Operating Revenue	100,953	371	6,238	107,562	97,563
OPERATING EXPENSES					
Program Services					
Economic Studies	17,191	—	—	17,191	14,740
Foreign Policy	22,907	—	—	22,907	19,926
Global Economy and Development	10,554	—	—	10,554	9,587
Governance Studies	6,846	—	—	6,846	6,691
Metropolitan Policy Program	11,951	—	—	11,951	12,513
Other Research	160	—	—	160	535
Brookings Press	2,565	—	—	2,565	2,775
Communications	2,388	—	—	2,388	2,275
Total Program Services	74,562	—	—	74,562	69,042
Supporting Services					
Management and General	20,960	—	—	20,960	21,571
Fundraising	3,462	—	—	3,462	2,901
Total Operating Expenses	98,984	—	—	98,984	93,514
Net Operating Activity	1,969	371	6,238	8,578	4,049
Change in net assets before non-operating activities	1,969	371	6,238	8,578	4,049
NON-OPERATING ACTIVITIES					
Investment return in excess of amounts designated for operations					
Realized gain (loss) on sale of investments	8,297	2,192	—	10,489	10,978
Unrealized gain (loss) from investments	26,151	5,882	—	32,033	18,915
Interest and dividends, net	227	1,069	—	1,296	1,809
Investment return designated for operations	(10,202)	(3,261)	—	(13,463)	(12,996)
Total investment return (loss) in excess of amounts designated for operations	24,473	5,882	—	30,355	18,706
Total Non-Operating Activities	24,473	5,882	—	30,355	18,706
Change in net assets before post-retirement related changes other than net periodic post-retirement benefit cost	26,442	6,253	6,238	38,933	22,755
Post-retirement related changes other than net periodic post-retirement pension cost	64	—	—	64	157
CHANGE IN NET ASSETS	26,506	6,253	6,238	38,997	22,912
Net assets, Beginning of year	186,151	142,468	75,601	404,220	381,308
Net assets, End of year	\$212,657	\$148,721	\$81,839	\$443,217	\$404,220

STATEMENT OF FINANCIAL POSITION

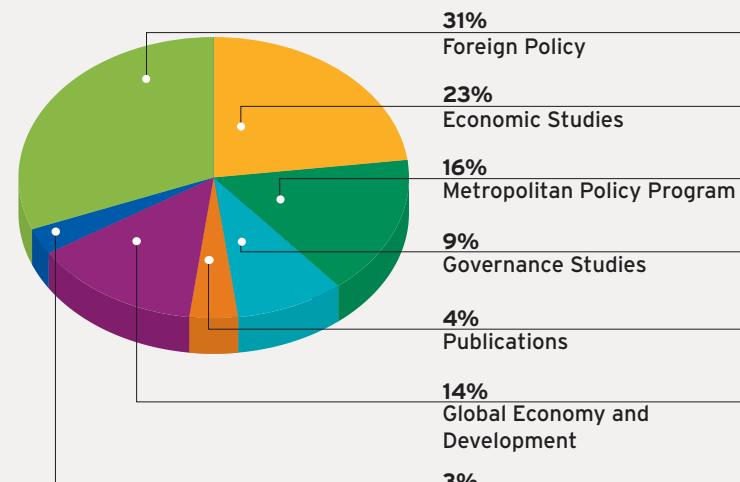
As of June 30, 2014 and 2013 (in thousands)
Preliminary and Unaudited*

	2014 TOTAL	2013 TOTAL
ASSETS		
Cash and cash equivalents	\$ 41,849	\$ 29,465
Grants, contributions and accounts receivable, net	90,492	100,680
Inventory	278	340
Investments	321,910	286,847
Property and equipment, net	39,714	43,094
Other assets	1,755	2,205
TOTAL ASSETS	495,998	462,631
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	7,116	10,323
Bonds payable and lines of credit	40,659	42,221
Accrued compensated leave	1,810	1,689
Accrued post-retirement benefit obligation	2,084	2,148
Deferred revenue	1,112	2,030
TOTAL LIABILITIES	52,781	58,411
NET ASSETS		
Unrestricted	212,657	186,151
Temporarily restricted	148,721	142,468
Permanently restricted	81,839	75,601
TOTAL NET ASSETS	443,217	404,220
TOTAL LIABILITIES AND NET ASSETS	\$495,998	\$462,631

Operating Revenues



Program Services Expenses



Notes:

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

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

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

#1



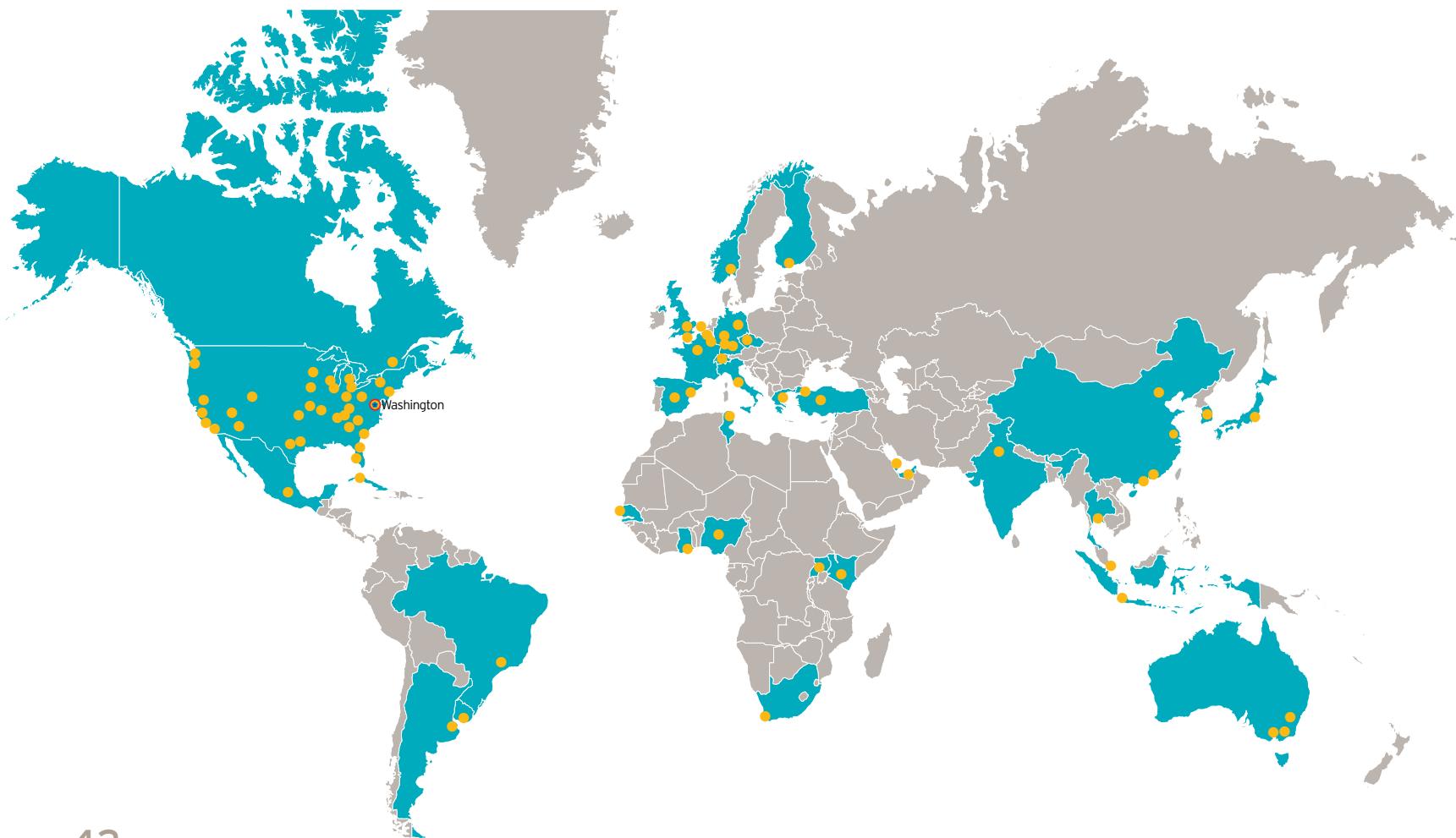
Rank in the University of Pennsylvania's 2013 "Global Go-To Think Tank Index" including Best Managed

24

Times Brookings scholars **testified** before Congressional committees

Brookings's Global Reach

Brookings works with a range of NGOs, think tanks, universities, and other organizations around the world to advance sound policymaking and effective governance.



By the Numbers

July 1, 2013-June 30, 2014

196



\$600

1,428,664

million

Total followers of the **154 Brookings scholars** on Twitter

Countries where Margaret McMillan's **Brookings Essay**, "The Rhyme of History," was read at least once

50

Books published by the Brookings Press, including 7 digital-only titles

226 AA-

Public events

Brookings's upgraded credit rating from Standard and Poor's

BROOKINGS

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Please consider the Brookings Institution in your estate plans to ensure our quality, independence and impact for many generations to come.
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