



Annual Report 2012

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# BROOKINGS

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**4 Economic Studies** With the nation continuing to face high levels of joblessness and an unsustainable path of government debt, scholars in the Economic Studies program helped shape the national economic debate, crafting pragmatic, innovative policy prescriptions to fuel broadly shared economic growth.

**8 Global Economy and Development** Fragile financial markets and fiscal challenges threatened the global recovery this year. Scholars in the Global Economy and Development program worked closely with some of the world's leading policymakers to foster international cooperation and craft policy solutions to promote inclusive, sustainable growth.

**12 Foreign Policy** Much of the world was in turmoil, as economic, political and security crises challenged leaders from the Middle East to Latin America to Asia and beyond. U.S. and foreign officials turned to the Foreign Policy program for cutting-edge analysis and strategies to reduce conflict in the emerging global order.

**16 Governance Studies** Polarization and hyper-partisanship gripped Washington, as election-year politics exacerbated divisions in American society. The Governance Studies program helped to devise practical policy reforms that can work across the political spectrum to strengthen leadership and reinvigorate trust in democratic institutions.

**20 Metropolitan Policy** Building the next American economy—one fueled by innovation, powered by low carbon, driven by exports and rich with opportunity—will rely on the economic growth potential of metropolitan areas. Scholars in the Metropolitan Policy Program advanced that vision and helped metropolitan areas leverage their position in the global economy.

**24 Impact: Finding Paths Forward** Across the spectrum of political, economic and security challenges that faced the world, Brookings's sound, independent public policy research found paths forward. The Institution's scholars engaged with national and world leaders in crucial dialogue, offered up-to-the-moment and on-the-ground analysis, and developed pragmatic recommendations.

**26 Brookings Priorities** Brookings finds effective solutions to policy problems by coordinating efforts around four priority areas in which the Institution has depth and breadth and that also correspond to the major issues our political leaders must address. Those include: growth through innovation, opportunity and well-being, sound energy and climate policy and managing global change.

**28 Support for Brookings** This year Brookings experts brought thoughtful analysis and reasoned debate to bear on the effort to promote enduring peace and prosperity around the globe. Their contributions were made possible by the philanthropic support of donors who share Brookings's vision that independent policy research is indispensable to how we, as a nation, govern ourselves.

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**D**uring a time of tumult in the U.S. and around the world, Brookings remains one of the few institutions where civil public discourse and rigorous, nonpartisan research are the order of the day. Throughout an eventful year, major public figures used the podium in our Falk Auditorium to convey messages to—and sometimes from—the White House and Capitol Hill, as well as to audiences around the globe.

The newly elected president of the World Bank, Jim Yong Kim, gave his first policy speech at Brookings. Within a single week, Christine Lagarde, managing director of the International Monetary Fund, and Tim Geithner, the U.S. Treasury secretary, laid out their recommendations for keeping the global economic recovery on track. Two senators, Democrat Patty Murray of Washington and Republican Pat Toomey of Pennsylvania—both members of the defunct “supercommittee”—outlined alternative proposals for avoiding a looming “fiscal cliff.” Senator Marco Rubio of Florida used a widely covered, standing-room-only speech to expand on his foreign policy vision. A speech by Governor Chris Christie of New Jersey lambasting what he saw as Washington’s lack of leadership on the budgetary outlook turned out to be a preview of his keynote address at the GOP convention seven weeks later. At a convocation hosted by our Saban Center on Middle East Policy, Shimon Peres, the president of Israel, joined Secretary of State Hillary Clinton in calling on Russia to help end the carnage in Syria. Senior Chinese policy adviser and economist Cheng Siwei explained the priorities and significance of his country’s latest five-year plan, which will have profound implications for the world economy.

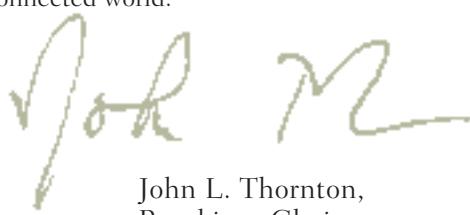
Throughout the year, our scholars were repeatedly invited to testify before Congress on a range of issues. Senior Fellow Alice Rivlin appeared twice in one week, first at the request of the Republicans, then at the invitation of the Democrats.

Brookings scholars were once again at the forefront of the nation’s economic debate, putting forward proposals to create jobs and restore fiscal sanity, while our annual growth through innovation forum focused on enhancing American competitiveness. The Global Cities Initiative brought together metropolitan areas to develop their economies for the twenty-first century; our World Forum on Governance developed recommendations for reducing corruption; and the Saban Forum tackled the ongoing transformations in the Middle East.

Brookings experts led a global network of think tanks in creating ideas for the G-20 summits in Cannes and Los Cabos and advised the leading international financial institutions on remedies for the unfolding euro crisis. Meanwhile, our scholars worked to improve school standards in the U.S. through empirical research and advised the U.N. secretary-general on his global education agenda.

Worldwide economic and fiscal difficulties pose a challenge to not-for-profit institutions like ours. Yet this past year we were able to balance our budget while taking on new, mission-critical projects and investing in the latest communication technology. As the world and America’s role in it become ever more complex, the demand for Brookings’s work will only grow, which necessitates maintaining our distinctive advantage among think tanks: the depth and breadth of our expertise. That combination enables us to take the long view of a wide horizon while also responding at short notice to unforeseen, sometimes game-changing events.

To that end, we are going to work even harder to raise flexible and durable resources as we approach our centenary in 2016. With the generous support of donors, the guidance of our advisory councils and the prudent oversight of my fellow trustees, I am confident we will not only live up to our motto—“quality, independence, impact”—we will keep updating what those words mean in a changing, increasingly interconnected world.



John L. Thornton,  
Brookings Chairman

**N**early a hundred years after Mr. Brookings came to Washington, it’s useful to imagine what he might make of today’s world. Some trends he would find familiar and ominous. For example, Europe—which his generation thought of as “over there”—is grappling with the danger of backsliding into economic disintegration and resurgent nationalism.

Other developments would come as a shock to Robert S. Brookings. As a public-spirited citizen who moved to the nation’s capital when the U.S. was beginning to assert itself as global power, he would recoil at the widespread perception, nine decades later, that America is in decline.

As a successful manufacturer whom Woodrow Wilson recruited to apply sound business principles to government, Mr. Brookings would be aghast at the national deficit and debt and the unfunded obligations of many states.

And as a Republican who served in a Democratic administration, he would be appalled by the extreme partisanship that has threatened to alienate voters, poison civic discourse and paralyze the democratic process.

It’s worth remembering that Mr. Brookings was both a product of and a participant in the social activism and political reform that flourished during the Progressive Era. In the spirit of the time in which he lived, both major parties, even when vying for power, shared a commitment to the judicious use of government power in service of the public good. As a result, the 1916 contest for the White House between Wilson and Charles Evans Hughes was marked by considerable overlap between the Democratic and Republican programs—a far cry from the bruising, bitter and polarizing Obama-Romney campaign of 2012.

All the more reason that Mr. Brookings would be interested in how the Institution that bears his name has evolved.

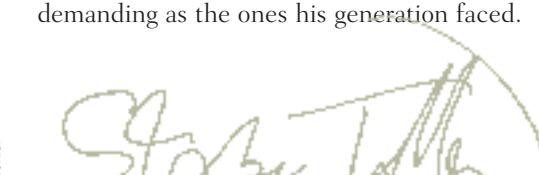
“Over there” is now just about everywhere. Hence, it is fitting that the world’s first national think tank is increasingly international in scope as well as in the composition of its Board of Trustees, its staff and its leadership.

In addition to the Brookings-Tsinghua Center in Beijing and the Brookings Doha Center covering the Arab world, we have established partnerships and programming in Latin America, Europe, Africa and Northeast Asia. In the year ahead we will be looking to do more work on Southeast Asia, and we hope to open Brookings India, based in New Delhi. Our newly redesigned website, which draws more than a million visits per month, allows us to broadcast events to a global audience and to publish our work in Chinese, Arabic and Spanish.

Robert Brookings would be gratified to see the impact of our research and recommendations on major issues: managing the crisis in the eurozone; upgrading the utility of the G-20; bending the curve of health care costs; mitigating climate change through sustainable energy policies; maximizing the benefits of innovative technology; harnessing entrepreneurial vigor at the level of metropolitan centers; and repairing the dysfunction of fiscal policy and governance at the federal level.

Our scholars are not just informing the public on these and other contentious issues—they are raising the tone of the debate. Wherever Brookings scholars speak out—whether in our seminar rooms, in our in-house TV studio, on the web, in our multiple gateways to social networks, in congressional testimony, or at conferences outside the Beltway or on other continents—they adhere to the ethos personified by our founder and fostered by our Institution, which we strive to make a partisanship-free zone.

I’d like to think that Mr. Brookings would be proud that we have remained true to his values while adapting his vision to challenges that are every bit as demanding as the ones his generation faced.



Strobe Talbott,  
Brookings President

# Innovative Policies to Foster Long-Term Growth



PHOTO BY PAUL MORIGI

**A**fter the congressional supercommittee failed to reach consensus on deficit reduction, Senior Fellow Alice Rivlin and former Senator Pete Domenici outlined their proposal to slow the growth of Medicare spending and put the program on a more sustainable path through premium support.

**L**Karen Dynan, vice president and co-director of Economic Studies, moderates a discussion with Consumer Financial Protection Bureau Director Richard Cordray (right) the day after his controversial recess appointment.

PHOTO BY PAUL MORIGI

PHOTO BY PAUL MORIGI



PHOTO BY PAUL MORIGI

**A**Federal Housing Finance Agency Acting Director Ed DeMarco (right) talks with Ted Gayer, co-director of Economic Studies, prior to delivering a keynote address on the role of principal reduction in a still-ailing housing market.



PHOTO BY PAUL MORIGI

## ECONOMIC STUDIES

The United States continued to face three critical economic challenges this year: high levels of joblessness, an unsustainable path of government debt and an urgent need for reforms to foster broadly shared economic growth. Economic Studies scholars helped frame the national economic debate, contributing rigorous, independent analyses and innovative policy prescriptions.

"The economic recovery remains vulnerable to risks associated with financial strains in Europe, the confluence of expiring U.S. fiscal policies known as the 'fiscal cliff' and ballooning government debt," said Karen Dynan, vice president and co-director of Economic Studies and the Robert S. Kerr Senior Fellow. "Scholars in Economic Studies continue to introduce fresh yet pragmatic policies to support the immediate recovery and generate long-term economic growth."

"Our team put forth careful analyses of the nation's economic recovery, along with practical solutions to our economic challenges. We've issued timely reports and opinion pieces, testified in Congress numerous times and brought together national leaders from across the political spectrum for civil, nonpartisan discussions," said Ted Gayer, co-director of the program and the Joseph A. Pechman Senior Fellow.

As policymakers struggled to outline a "grand bargain" on job creation and deficit reduction, they turned to Economic Studies scholars for counsel. Senior Fellow Alice Rivlin testified before Congress twice in a single week, invited once by the Democrats and once by the Republicans. As the so-called "supercommittee" began its work on a budget plan, members sought guidance from Rivlin and former Senator Pete Domenici, whose Medicare premium support proposal became the basis for a bipartisan plan introduced

by House Budget Committee Chair Paul Ryan and Senator Ron Wyden.

Under the direction of Senior Fellow Isabel Sawhill, the Cabot Family Chair, and Senior Fellow Ron Haskins, the Budgeting for National Priorities project continued to develop new fiscal policy ideas, finding common ground among policymakers.

The Urban-Brookings Tax Policy Center, co-directed by Senior Fellow William Gale, the Arjay and Frances Fearing Miller Chair in Federal Economic Policy, analyzed the presidential candidates' tax proposals and is gearing up to make major postelection contributions on tax reform, a crucial pro-growth policy issue.

As issues of poverty, inequality and economic mobility came into sharp focus, the Center on Children and Families, co-led by Haskins and Sawhill, became a staple of political dialogue. During the primaries Republican presidential candidates Mitt Romney and Rick Santorum repeatedly cited research by

Fellow Douglas Elliott (far right) testifies before the House Financial Services Committee on the regulation of systemically important financial institutions and long-term consequences in U.S. and global markets.



ality of the Affordable Care Act. Senior Fellow Henry Aaron, the Bruce and Virginia MacLaurie Chair, published real-time analyses of the issues and possible outcomes that were cited by *New York Times* columnist Paul Krugman and MSNBC's Rachel Maddow. A \$3 million gift to the Engelberg Center for Health Care Reform from Dr. Richard Merkin supported the creation of the Dr. Richard Merkin Initiative on Payment Reform and Clinical Leadership, which applies innovative, pragmatic clinical insights to reform efforts. Focusing on obesity, Senior Fellow Ross Hammond, director of the Center on Social Dynamics and Policy, contributed to an Institute of Medicine report that heavily informed the HBO documentary "Weight of the Nation." ●

Alan Krueger (right), chairman of the White House Council of Economic Advisers, discusses strategies for new job creation with former U.S. Treasury Secretary Robert Rubin at a Hamilton Project forum. A discussion paper released at the event helped to shape President Obama's Universal Displaced Worker Program, unveiled in March.



policymakers and testified before Congress on how the crisis could affect the U.S. economy.

Health care reform hung in the balance as the Supreme Court decided the constitution-

## New Investment in the Engelberg Center Supports Novel Approaches to Health Care Reform

Under the leadership of Senior Fellow Mark McClellan, Leonard D. Schaeffer Chair in Health Policy Studies, the Engelberg Center for Health Care Reform continued to lead the national debate over health care and ways to reduce costs while improving quality of care.

A \$10 million gift from the Irene Diamond Fund established the Fund for Health Care Innovation to support new and novel approaches to reform, and the Irene Diamond Fellowship for Public Health Leadership to match health care reform efforts with key goals, such as promoting healthier behaviors and preventing illnesses and disease complications. The Irene Diamond Fund was created and funded by noted philanthropists Irene and Aaron Diamond (both deceased). The fund supports many charitable causes and to date has distributed more than \$400 million to advance public health and public policy, including AIDS prevention and research, human rights and the performing arts.

**Mark McClellan, FDA  
Commissioner Margaret Hamburg, and Amgen CEO Kevin Sharer (left to right)**



Testifying before the Senate Finance Committee in June, Senior Fellow Ron Haskins examines new challenges facing families in poverty and how to combat them.

Haskins and Sawhill on personal responsibility as a means out of poverty. Haskins was also instrumental in developing the Census Bureau's long-awaited supplemental measure for assessing poverty.

Scholars in Economic Studies closely monitored the troubled labor market through monthly updates by Senior Fellow Gary Burtless, the John C. and Nancy D. Whitehead Chair, and Senior Fellows Michael Greenstone and Adam Looney, director and policy director of the Hamilton Project. Burtless addressed unemployment at a major *Wall Street Journal* forum and offered solutions that were published in the *Milken Institute Review*. The Fall 2011 *Brookings Papers on Economic Activity* conference featured landmark research on the earn-

ings losses experienced by those who became unemployed during the recession. Former Treasury Secretary Lawrence Summers co-authored a new paper for the Spring 2012 conference arguing for fiscal stimulus in a depressed economy.

Senior Fellow Martin Baily, director of the Initiative on Business and Public Policy and the Bernard L. Schwartz Chair in Economic Policy Development, testified before Congress on small business's importance in the economic recovery. Baily later briefed President Obama on the economic recovery, and his work was cited by Mitt Romney's presidential campaign.

As the debt crisis in Europe intensified, Fellow Douglas Elliott became a leading voice on its global consequences. He convened key events with senior EU



PHOTO BY TOM WILLIAMS

# Fostering Sustainable Growth Around the World



PHOTO BY PAUL MORIGI

Former President Bill Clinton talks with Senior Fellow and Director of the Africa Growth Initiative Mwangi Kimenyi (left) and Brookings Managing Director William Antholis (center) before an address at Brookings on the African Growth and Opportunity Act (AGOA), which he signed into law in 2000 to enhance economic ties between the U.S. and Africa.

PHOTO BY PAUL MORIGI

Ahead of the IMF-World Bank 2012 Spring Meetings, Vice President and Director of the Global Economy and Development program Kemal Derviș and IMF Managing Director Christine Lagarde discuss how to keep the global economic recovery on track.

PHOTO BY PAUL MORIGI



Treasury Secretary Timothy Geithner speaks about the U.S. role in strengthening the global economy with Kemal Derviș (right) and David Ignatius (center), columnist at *The Washington Post*.



PHOTO BY SHARON FARMER

## GLOBAL ECONOMY AND DEVELOPMENT

The global economic recovery faltered this year as fragile financial markets and fiscal challenges in advanced economies affected the pace of growth in emerging countries. Scholars from Global Economy and Development provided world leaders with new thinking on how to improve international cooperation to achieve strong, sustainable and inclusive growth. During his first public speech as World Bank president, which he delivered at Brookings, Jim Yong Kim called the Global program "a showcase for evidence-based policy research, an approach that is critical for the World Bank today."

"Our team addressed the most pressing challenges facing the global economy—from macroeconomic policy coordination and the eurozone crisis to poverty alleviation and green growth," said Kemal Derviș,

vice president and director of the program and the Edward M. Bernstein Scholar. "Our international reach continues to grow through partnerships with leading think tanks and scholars around the world."

Amid serious concerns about another global recession, the program provided substantive recommendations on the G-20's role in renewing confidence in the world economy. Through its *Think Tank 20* effort, Global scholars facilitated high-level discussions with thought leaders from G-20 countries, and contributed to the dialogue around the G-20 summit in Mexico.

Senior Fellow Eswar Prasad, the New Century Chair in International Trade and Economics, continued to produce leading research on the role of the renminbi in the global monetary system. His paper received substantial media attention, stimulated discussion in major policy circles in China and resulted in

multiple invitations for Prasad to present at conferences throughout Asia. Prasad also developed an interactive and graphic feature on the *Financial Times* website entitled the "China Currency Tracker," which explores how China's exchange rates have fluctuated over time.

Economic tensions in southern Europe reverberated across the globe. With Greece at the heart of the region's economic woes, Global launched "A Growth Strategy for Greece"—a two-year effort supported by the Stavros Niarchos Foundation to identify and promote concrete policy solutions to reinvigorate economic growth.

Derviș and Senior Fellow Domenico Lombardi were leading voices on the global implications of the eurozone crisis and the prospects for a European solution. Derviș coauthored an article with Brookings Distinguished Fellow Javier Solana, former European Union high representative for common

Rajiv Shah, administrator of the U.S. Agency for International Development, speaks about the Obama administration's efforts to improve foreign aid transparency. Fellow and Policy Director of the Foreign Assistance Reform Project Noam Unger (left) moderates the discussion.



PHOTO BY RALPH ALSWANG

helped shape the agenda of the Busan High Level Forum on Aid Effectiveness.

At the ninth annual Brookings Blum Roundtable in Aspen, Senior Fellow and Deputy Director Homi Kharas speaks at a session on U.S. leadership as Mathews Chikaonda, group chief executive officer of Press Corporation Limited, and Amy Klement, vice president for investments at Omidyar Network, listen.



PHOTO BY ALEX IRIN

### Investing in the Future of the Center for Universal Education

The Center for Universal Education, directed by Senior Fellow Rebecca Winthrop, worked closely this year with the UN secretary-general's global education initiative to provide quality, relevant and transparent education for all children and youth, including those most vulnerable. In addition, the center's ongoing research on private sector engagement in global education has helped shape the work of the Global Business Coalition on Education. New Brookings Trustee Hanzade Doğan Boyner, a longtime member of the Brookings International Advisory Council, provided endowment support for the center that will ensure a permanent base of funding for its vital work.

CUE Director and Senior Fellow  
Rebecca Winthrop



tive, directed by Senior Fellow Mwangi Kimenyi, brought leading African voices to the policy debate in Washington through innovative partnerships with leading think tanks across Africa and catalytic discussions with key U.S. policymakers, including U.S. Senator Richard Durbin, Representative Chris Smith and U.S. Trade Representative Ron Kirk. The initiative's signature report, "Foresight Africa: Top Priorities for the Continent in 2012," offered a comprehensive look at how to manage Africa's challenges and leverage opportunities to spur growth.

Climate change strained the economies of developing countries. Prior to the Rio+20 Summit, Global scholars launched a major report and series of events on "green growth" models for sustainable development. Senior Fellow Katherine Sierra's research on climate finance and the private sector informed significant decisions at the United Nations Climate Change Conference in Durban. ●



PHOTO BY PAUL MORGI

Ngozi Okonjo-Iweala, the Federal Republic of Nigeria's finance minister, presents her vision for global development through job creation and economic diversification, as well as policies to support youth and empower women.

foreign and security policy, on the region's economic future. In a paper for ForeignPolicy.com, Lombardi proposed unorthodox interventions for the IMF to expand its financial firepower against systemic economic crises.

As revolution in the Arab world underscored the need for economic reform, Global convened leading economists to outline the contours of transition across Arab nations and develop a new agenda. The program subsequently released *After the Spring: Economic Transitions in the Arab World*, which showcased prescriptions for the region's growth and development.

Concerns over corruption and poor governance grew throughout the year. Senior Fellow Daniel Kaufmann became a key contributor to the Open Government Partnership, a worldwide initiative to promote transparent, effective and accountable governments

# New Strategies to Strengthen the International Order



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U.S. Secretary of State Hillary Clinton and Israeli President Shimon Peres stand with Haim Saban (far right) and Cheryl Saban (far left), founding donors of the Saban Center for Middle East Policy, at an event honoring the Sabans and the tenth anniversary of the center. During the event, Secretary Clinton and President Peres addressed critical issues in the Middle East, including increasing difficulties in Iran and Syria.

PHOTO BY STEVEN PURCELL



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European Union High Representative for Foreign Affairs and Security Policy Catherine Ashton bids farewell to Martin Indyk, vice president and director of the Foreign Policy program, after offering her perspectives on the EU's role in supporting democracy and economic development in the Middle East.

PHOTO BY RALPH ALSWANG



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General John Allen (left), commander of the International Security Assistance Force, talks with Senior Fellow Michael O'Hanlon, director of research for Foreign Policy, about the U.S. mission in Afghanistan. O'Hanlon, the Sydney Stein, Jr. Chair in International Security, made a seminal contribution this year to the debate on the defense budget with his book, *The Wounded Giant: America's Armed Forces in an Age of Austerity*.

**A**n economic crisis sweeping across Europe, continuing revolution in the Arab world, leadership changes in China and escalating concern about nuclear programs in Iran and North Korea all contributed to the turmoil that gripped the world this year. The Foreign Policy program provided policymakers and the public with cutting-edge analysis and strategies to strengthen America's role in shaping the emerging global order.

"Our scholars addressed the world's most complicated political and security concerns through in-depth research, landmark studies and high-level forums," said Martin Indyk, vice president and director of Foreign Policy. "With 40 full-time fellows covering key challenges across the globe, from energy security to cybersecurity and from humanitarian affairs to 21st century warfare, our intellectual depth and policy experience made a real difference."

Amid growing debate about America's status in the world, Senior Fellow Robert Kagan

released his bestselling book, *The World America Made*. In it, Kagan countered the rising argument that American power is in decline and stressed the need to maintain the United States' pivotal role in the international order. President Obama credited Kagan's work for inspiring part of his 2012 State of the Union address.

As new uprisings and hotly contested elections took place across the Arab world, the Saban Center for Middle East Policy, under the new leadership of Senior Fellow Tamara Wittes, former deputy assistant secretary of state for near eastern affairs, led significant international debate. Senior Fellows Daniel Byman, Michael Doran, Kenneth Pollack and Brookings Doha Center Director Salman Shaikh published a "Middle East Memo" on Syria, drawing attention from the White House and the State Department. During the eighth annual Saban Forum, Secretary of Defense Leon Panetta and Secretary of State Hillary Clinton addressed U.S.-Israeli security concerns and the threat of Iran's nuclear program.

With a \$7.5 million gift of renewed support, Trustee Haim Saban helped ensure the Saban Center will continue its leading role in the policy debate about Iran, turmoil in the Arab world and the Israeli-Palestinian peace process.

The Brookings Doha Center provided on-the-ground analysis of the Arab awakening. Research Director Shadi Hamid gained a devoted following of 31,000 on Twitter, and his editorial on the crisis in Syria was shared by Senator John McCain with his 1.7 million Twitter followers.

As the euro crisis deepened, new security challenges emerged. Center on the United States and Europe (CUSE) Director Fiona Hill, the Stephen and Barbara Friedman Senior Fellow, hosted German Foreign Minister Guido Westerwelle to examine the crisis. Senior Fellow and CUSE Research Director Justin Vaisse released the "2012 European Foreign Policy Scorecard"—an innovative evaluation of Europe's performance. The Arms Control Initiative addressed nuclear arms control and missile defense, critical issues during the 2012 NATO Summit in Chicago. Director of

One year after Egypt's revolution, "Meet the Press at Brookings" assessed the implications stemming from the dramatic changes in the Middle East and North Africa. NBC's David Gregory, author Robin Wright, Martin Indyk, and new Saban Center Director Tamara Wittes (right to left) provided their insights. Fellow Shadi Hamid appeared live via video feed from the Brookings Doha Center.

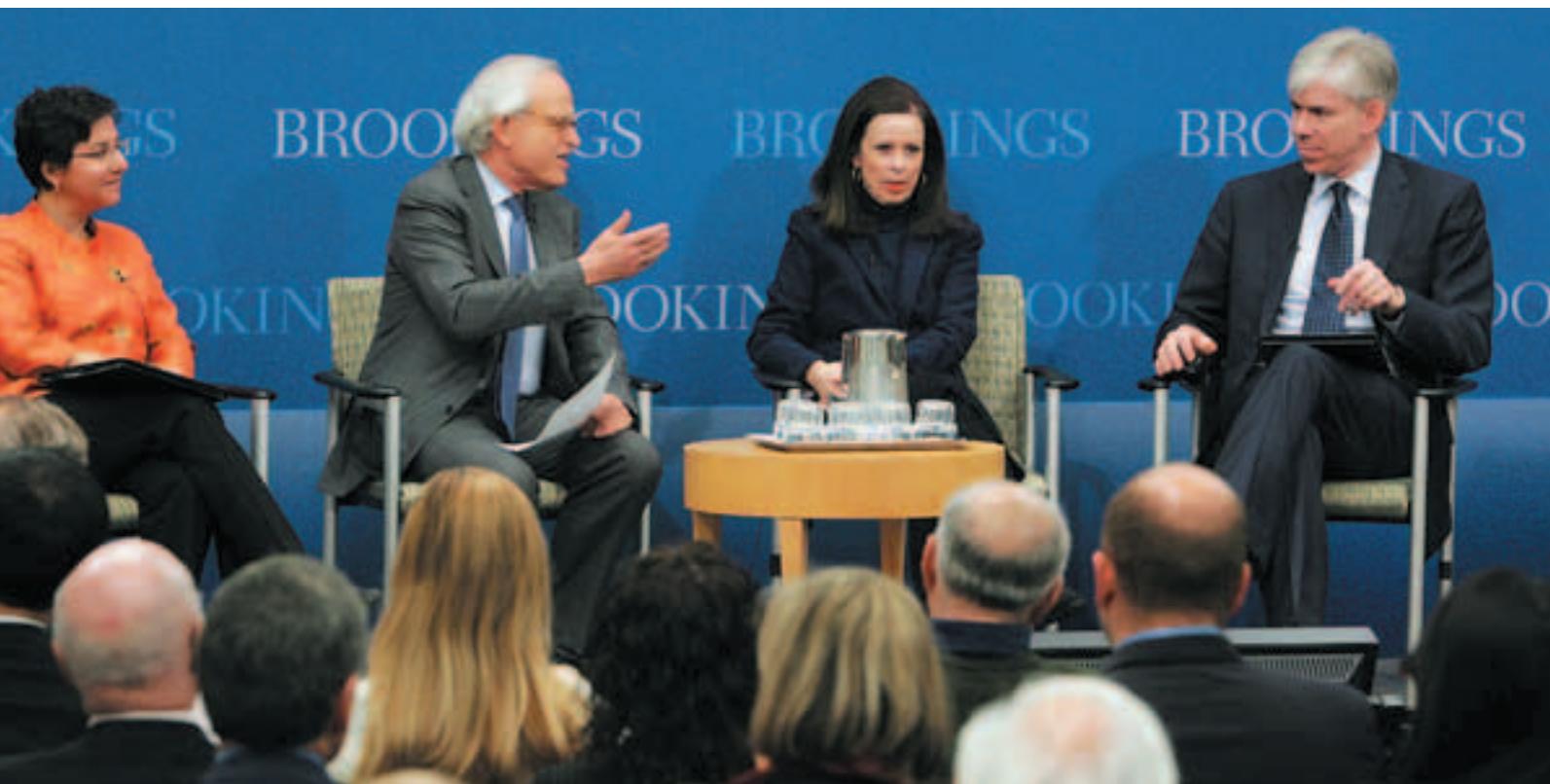


PHOTO BY SHARON FARMER

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Cheng Siwei, former vice chairman of the standing committee of the National People's Congress, presents his views on China's new five-year plan, a master agenda for economic development. Senior Fellow Kenneth Lieberthal, director of the John L. Thornton China Center, moderated the discussion. To ensure the center's sustainability, Brookings Chair of the Board John Thornton made a \$13.5 million gift that provides critical resources to examine China's rise.



PHOTO BY PAUL MORIGI

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Brookings President Strobe Talbott, Senior Fellow and Arms Control Initiative Director Steven Pifer, Senior Fellow Kenneth Pollack, and Senior Fellow and Center on the United States and Europe Director Fiona Hill (left to right) listen as U.S. National Security Advisor Tom Donilon addresses international efforts to suppress Iran's nuclear program.



PHOTO BY RALPH ALSWANG

In collaboration with the Doha Center, the Energy Security Initiative convened the Brookings Doha Energy Forum, a high-level gathering of senior government officials, energy sector leaders and analysts from the Middle East, Asia, Europe and the United States.

Through support from Brookings Trustees David Rubenstein and Ben Jacobs, Foreign Policy launched collaborative work across its five regional centers, six initiatives and two overseas centers. Scholars are now analyzing new domains of international interaction in the Arctic, cyberspace and the South China Sea. ●

**Philip Knight Chair in Japan Studies**

**A**s the United States increases its attention to Asia, understanding the economic, social and security issues facing policymakers in Tokyo and Washington will continue to grow in importance. Recognizing the need for additional capacity for in-depth research and analysis on Japan and U.S.-Japan relations, Brookings Trustee Philip Knight made a \$3 million endowment gift to establish the Philip Knight Chair in Japan Studies within the Center for Northeast Asian Policy Studies. In July 2012, Brookings appointed Mireya Solis, a noted expert on the political economy of Japan and its foreign economic policies, as the first holder of the Knight Chair at Brookings.



PHOTO BY PAUL MORIGI



PHOTO BY PAUL MORIGI

the 21st Century Defense Initiative Peter Singer's book *Wired for War* continued to inform heated debate about drone warfare and inspired new congressional legislation.

Kim Jong-il's death and North Korea's missile launch intensified concerns about the country's nuclear program. The Center for Northeast Asian Policy Studies (CNAPS), led by Senior Fellow Richard C. Bush, the Michael H. Armacost Chair, analyzed international options. Following Taiwan's elections in January, CNAPS convened a pivotal international conference exploring implications for Taiwan-China relations.

A study by Senior Fellow Kenneth G. Lieberthal, director of the John L. Thornton China Center, and renowned Chinese

Chiapas unanimously adopted the first law in Mexico on internal displacement after Co-Director Beth Ferris conducted a workshop for high-level government officials there.

Given India's emerging role in the global order, Foreign Policy launched the India Project and laid the groundwork for a new center in Delhi to examine issues of common concern to India and the United States.

The Managing Global Order Project advised the Obama administration on resource scarcity issues, and Director Bruce Jones wrote a major paper examining the Arctic's growing strategic relevance.

Through support from Brookings Trustees David Rubenstein and Ben Jacobs, Foreign Policy launched collaborative work across its five regional centers, six initiatives and two overseas centers. Scholars are now analyzing new domains of international interaction in the Arctic, cyberspace and the South China Sea. ●

# Strategic Reforms to Address Political Dysfunction

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Darrell West (right), vice president and director of Governance Studies, moderates a discussion with Acting Secretary of Commerce Rebecca M. Blank on how the United States must advance science, technology, engineering and math—or STEM—education to increase economic competitiveness and spur innovation.



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Focusing on the urgent need for job creation, AOL Co-Founder and Revolution LLC CEO Steve Case, Senator Jerry Moran of Kansas and Senator Mark Warner of Virginia (left to right) discuss strategies to boost high-growth entrepreneurship through the Startup Act and private sector investment.



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Following President Obama's State of the Union address, Senior Fellow William Galston and Fellow Elisabeth Jacobs discuss the speech in the context of the 2012 election campaign and the president's relationship with Congress.

## GOVERNANCE STUDIES

**W**ith Congress mired in hyperpartisan squabbles and national elections looming, political leaders struggled to find common ground on pressing policy challenges. In at least one case this year, with the help of Governance Studies scholars, they were able to succeed.

In the summer of 2012, both houses of Congress agreed to do something they have done rarely in recent years: send a bill to the President's desk for signing. The Presidential Appointment Efficiency and Streamlining Act of 2011, which introduced crucial reforms into the flawed presidential appointment process, draws directly from the work of Senior Fellows William Galston, the Ezra K. Zilkha Chair in Governance Studies, and E.J. Dionne, Jr. Galston and Dionne briefed key staff to fuel momentum in the Senate—and the newly launched Management and Leadership Initia-

tive engaged with bipartisan stakeholders to secure passage in the House. This legislation will allow the next presidential administration to get to work quickly on the nation's pressing policy challenges.

As evidenced by this success, over the last year Governance Studies scholars addressed U.S. political dysfunction head on, offering pragmatic reforms to reinvigorate trust in democratic institutions, strengthen leadership and fuel economic growth.

"This year demanded solutions that work across the political spectrum to cut through legislative gridlock and ignite innovation," said Darrell West, vice president and director of Governance Studies. "In key areas of policy—national security, health care and education, institutional reform, and technology—we promoted ideas and convened bipartisan conversations to move debate forward and identify substantive policy actions in a challenging political climate."

The program extended its focus on effective political leadership internationally. Senior Fellow and W. Averell Harriman Chair in American Governance Thomas Mann, together with the American Enterprise Institute's Norman Ornstein, convened the inaugural World Forum on Governance in Prague, which brought together representatives from public and private governance communities around the world to discuss reducing corruption globally.

Mann and Ornstein published their best-selling book *It's Even Worse Than It Looks*, which addressed the origins of American political dysfunction and outlined solutions to restore the nation's political institutions.

As the politically fraught process of congressional redistricting continued, Nonresident Senior Fellows Michael McDonald and Micah Altman monitored reform initiatives nationwide, and their innovative public mapping software helped local citizens and organizations

At the inaugural World Forum on Governance in Prague, Senior Fellow Thomas Mann (left) explores challenges to the public and private sector in fighting corruption and promoting good governance as Brookings Nonresident Senior Fellow Stephen Davis (center) and Professor Hasung Jang of Korea University Business School (right) listen. At the conference, nearly 100 participants from around the world collaborated to write the Prague Declaration on Governance and Anti-Corruption.

Senior Fellow Benjamin Wittes (left) moderates a panel on privacy and security implications raised by domestic drones with Nonresident Senior Fellow John Villasenor (right) and Paul Rosenzweig, a visiting fellow at the Heritage Foundation (center).



PHOTO BY ONDREJ BESPERAT

támo Bay raised new questions at the nexus of national security, law and liberty. The Harvard Law School-Brookings Project on Law and Security, led by Senior Fellow Benjamin Wittes, became the preeminent source for data on these issues. Wittes shaped the national security debate through a briefing paper submitted to Congress and influential postings on his "Lawfare" blog. Visiting Fellow Russell Wheeler contributed vital research on the judiciary and the Senate confirmation process.

Examining the intersection of religion and politics, Senior Fellows Dionne and Galston released a pioneering study examining what it means to be American in the face of increasing religious, racial and ethnic diversity. The report offered rich insight into Americans' attitudes toward Islam, growing anti-immigrant sentiment and how faith informs individuals' political views. ●



PHOTO BY SHARON FARMER

interactive web application that ranks large school districts across the country on school choice. Senior Fellow Tom Loveless revealed significant student achievement gaps in a widely cited report, and Fellow Matthew Chingos examined class size, higher education costs and state grant programs.

The ten-year anniversaries of 9/11 and the establishment of the detention center at Guan-

## John H. White, Jr. Forum on Public Policy

**J**ohn H. White, Jr., president and CEO of Taco, Inc. and a new Brookings Trustee, made a \$1 million endowment gift to Brookings to establish the annual John H. White, Jr. Forum on Public Policy, which brings together leaders from the private, public and nonprofit sectors to identify new solutions to pressing policy issues. The first White Forum was held in July 2012 and focused on U.S. manufacturing policies in a new economic reality. The forum featured Representatives David Cicilline and Don Manzullo, along with labor and corporate leaders, journalists, and experts, discussing ways to fortify manufacturing to improve the United States' future economic performance, social mobility and edge in innovation.



PHOTO BY PAUL MORIGI

Rep. Cicilline, John White, Jr., Phillip Singerman, Darrell West, and Rep. Manzullo (left to right)



PHOTO BY SHARON FARMER

Silver Lake co-founder and Vice Chair of the Brookings Board Glenn Hutchins (left) discusses the impact of mobile technology on innovation and economic growth with AT&T CEO Randall Stephenson (center) and Vice President and Governance Studies Director Darrell West.

provide input in the state-level redistricting process.

Amid fresh criticism about the Federal Reserve's role in the aftermath of the 2008 economic crisis, Senior Fellow Sarah Binder unveiled a new research project examining Congress' relationship with the central bank, the accuracy of recent charges leveled against it and the need for institutional reform.

The Center for Technology Innovation introduced forward-thinking solutions for a depressed economy. West, the center's director, identified multiple policy levers—from research and development funding to immigration reform—that can boost long-term prosperity. West testified before Congress on the need for a coherent broadband strategy to enhance private sector growth. A new Mobile Economy Project, supported by a multiyear gift from Qualcomm Inc., examined how

mobile technology is creating jobs, increasing political engagement and improving public health.

The A. Alfred Taubman Forum on Public Policy, established with the generous support of Alfred Taubman, examined how innovative policy reform and advanced technologies can modernize the U.S. health care system. Leaders from academia, business and government came together for a conference highlighting new ideas for cost containment and improved care.

President Obama's "Race to the Top" program sparked fierce debate on education reform, and the Brown Center on Education Policy provided influential insights. Spearheaded by Senior Fellow Grover J. "Russ" Whitehurst, the Herman and George R. Brown Chair in Education Studies, the center unveiled its "Education Choice and Competition Index," an

# Bridging Metropolitan Innovation and the Global Economy



PHOTO BY PAUL MORGAN

**A** Metropolitan Policy Co-Director and Senior Fellow Amy Liu moderates a discussion on how metropolitan areas can support national export goals with Fred Hochberg, president and chairman of the Export-Import Bank; Dario Gomez, associate administrator for international trade at the U.S. Small Business Administration; and Francisco Sánchez, undersecretary of commerce for international trade at the U.S. Department of Commerce (left to right).

PHOTO BY LARRY PHILLIP PHOTOGRAPHY

**L** The Global Cities Initiative—a joint initiative with JPMorgan Chase—is helping metropolitan areas leverage their position in the global economy. At an Ohio forum, Bruce Katz (left), vice president and founding director of the Metropolitan Policy Program, moderates a discussion with Columbus Mayor Michael B. Coleman (center) and former Chicago Mayor Richard M. Daley (right), who chairs the initiative.

PHOTO BY MICHAEL CLARK PHOTOGRAPHY



**A** Gavin Newsom, lieutenant governor of California, discusses the need for transformative investments to address the nation's infrastructure challenges at a major Metro Program forum in Colorado.

## METROPOLITAN POLICY

**W**ith a sputtering recovery and Washington mired in political polarization, this year saw pragmatic metropolitan leaders across the country work to grow jobs in the short term, and retool their economies for the long term. The Metropolitan Policy Program supported those efforts by advancing a vision for the next American economy—one fueled by innovation, powered by low carbon, driven by exports, rich with opportunity for working families and fundamentally metropolitan in form and function.

From the Mountain West to the Great Lakes, the Metro Program worked to advance local and state policy innovations that catalyze metropolitan growth, spur sustainable economic development and create new and better jobs. In Nevada, Governor Brian Sandoval incorporated the Metro Program's recommendations into a new statewide economic

development strategy building on distinctive industry cluster strengths in Las Vegas and Reno. Bruce Katz, vice president and founding director of the Metro Program and the Adeline M. and Alfred I. Johnson Chair in Urban and Metropolitan Policy, advised Governor Andrew Cuomo on New York's Regional Economic Development Council Initiative, a \$785 million competition to redesign the state's economic growth strategies, and spearheaded subsequent work to inform the state's \$1 billion investment strategy for the city of Buffalo. And in Michigan, Governor Rick Snyder and the state's legislature used the Metro Program's research to guide the efforts of a new Office of Urban and Metropolitan Initiatives on economic development, innovation and industry cluster building across the country.

Early in 2012, the program released two major reports on manufacturing, which experienced a resurgence in the wake of the Great Recession. These reports documented manufacturing's economic importance in the nation's 100 largest metropolitan areas, and advanced a first-of-its-kind policy framework for increasing high-wage, export-intensive production in the U.S.

"With gridlock dominating national politics, metro leaders were on the front lines of the economic recovery," said Katz. "We worked with elected, corporate and civic officials

to help them leverage their strengths in the global economy, and brought needed metropolitan innovation back into the national policy dialogue."

To strengthen the fundamental pillars of the next American economy, this year the Metro Program engaged in cutting-edge research, on-the-ground work in states and metro areas, substantive policy development and network building across the country.

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"With gridlock dominating national politics, metro leaders were on the front lines of the economic recovery," said Katz. "We worked with elected, corporate and civic officials

At the release of "Export Nation 2012," Portland Mayor Sam Adams, Amy Liu, Bruce Katz and Brookings Trustee Antoine van Agtmael (left to right) discuss boosting exports as a critical step in fueling economic growth.



Fellow Elizabeth Kneebone charted the rise of inequality and concentrated poverty. The program's quarterly MetroMonitor provided timely analysis of progress in the nation's 100 largest metro areas.

These developments occurred against the backdrop of a rapidly diversifying population and workforce. Senior Fellow William Frey documented the rise of a "majority minority" population, with more than half of all U.S. births now occurring to nonwhite and Hispanic families. Senior Fellow Audrey Singer authored a highly publicized report underscoring the U.S. labor market's continued dependence on both high- and low-skilled immigrant workers. In an increasingly diverse and urbanized world, with cash-strapped national governments pressed to revive their economies, the Metro Program is revealing how globally connected, innovative metro areas can power national economic growth and opportunity through the 21st century. ●

Colorado Governor John Hickenlooper kicks off the Metro Program's forum on reshaping the country's physical and economic landscape through strategic, targeted infrastructure investments.



spearheaded by Co-Director and Senior Fellow Amy Liu. Los Angeles Mayor Antonio Villaraigosa—president of the U.S. Conference of Mayors—called on fellow mayors to adopt similar export plans.

Focusing on the growth potential of clean energy, the program introduced "Sizing the Clean Economy," a path-breaking report, database and interactive web tool that measures the economic influence of "green" jobs in metro areas. Co-authored by Senior Fellow Mark Muro and Associate Fellow Jonathan Rothwell, the report is a go-to resource for policymakers in Washington and in cities and states across the country, and has garnered over 700 media citations since its release.

The Metropolitan Infrastructure Initiative, led by Senior Fellow Robert Puentes, convened a major summit with Colorado Governor John Hickenlooper to discuss how advances in transportation, low-carbon energy, and manufacturing could reshape the country's physical and economic landscape. Testifying before the Joint Economic Committee in November, Puentes argued for needed strategic infrastructure investments.

As the nation continued to struggle with high unem-

The Metro Program's Policy Director and Senior Fellow Mark Muro engages in a major Brookings forum on strengthening American manufacturing with Rob Atkinson, president of the Information Technology and Innovation Foundation; Gregory Tassey, senior economist at the National Institute of Standards and Technology; and Annie Lowrey, economics reporter at the *New York Times* (left to right).

ployment, the Metro Program explored the key trends that led to the labor market's uneven recovery. Senior Fellow Alan Berube, the program's research director, examined the links between education and employment in metro areas, and

### Global Cities Initiative: A Joint Project of Brookings and JPMorgan Chase

**N**ow that more than half of the world's population lives in urban areas, global commerce increasingly reflects the energy and innovation of cities and metro areas. In that spirit, the Metro Program launched the Global Cities Initiative: A Joint Project of Brookings and JPMorgan Chase, a pioneering collaboration chaired by former Chicago Mayor Richard M. Daley and directed by Bruce Katz.

Established with the support of a \$10 million gift from JPMorgan Chase, the Global Cities Initiative is designed to provide U.S. metropolitan leaders with the tools and expertise to forge new trade partnerships and reorient their economies toward world markets. The initiative convened major forums in Los Angeles, Columbus and Miami that highlighted best practices for connecting to demand abroad and attracting global talent and capital at home. The initiative's first event outside the U.S. will take place in São Paulo, Brazil, in November 2012.



Senior Fellow Robert Puentes; Juan Flores, Florida Department of Transportation; Alex Gomez, Flagler Development; Eric Olafson, PortMiami; Frank Santeiro, FedEx Express



PHOTO BY PAUL MORIGI

# Finding Paths Forward

In 2012, political, economic and security challenges deepened across the nation and around the world. Millions of Americans struggled to find work as political dysfunction hindered progress on urgent policy challenges. The global economic recovery was threatened by the debt crisis that spread across Europe and the slowing of Asian economies. And dramatic political changes continued to unfold across the Middle East, even as Iran's nuclear program heightened international concern.

Across the policy horizon, Brookings's sound, independent public policy research found paths forward. Brookings scholars engaged with national and world leaders in dialogue, offered up-to-the-minute and on-the-ground analysis, and developed pragmatic recommendations. Through writing, convening and relationships with policymakers and other thought leaders, Brookings research helped to set the agenda, shape the debate and define the policy options on the world's most pressing matters. As a result of the Institution's impact in the policy arena and beyond, the University of Pennsylvania's Think Tanks and Civil Societies Program again ranked Brookings the number one think tank in the world.

"As Brookings approaches its hundredth year, our highest calling remains informing real-world thought and action," said Brookings President Strobe Talbott. "With scholars testifying 45 times before Congress this year, and advising world leaders at high-level summits and private meetings



PHOTO BY PAUL MORGAN

around the world, our experts are crafting solutions that can be implemented now and shaping the policy agenda for the years to come."

Perhaps no issue symbolizes Brookings's ability to set the agenda more than understanding the framework for American power. Arguing against those who claim that America's global power is waning, early in 2012 Senior Fellow Robert Kagan published *The World America Made* and reshaped the debate about America's influence in an emerging multi-polar global order. Republican presidential candidate Mitt Romney regularly cited Kagan's work in his arguments for American exceptionalism. So too did President Obama, who made Kagan's argument a central theme in his State of the Union address, when he said "anyone who tells you that America is in decline or that our influence has waned doesn't know what they're talking about."

Brookings remained at the forefront of the fiscal policy

debate, with research by scholars in the Economic Studies program cited 14 times in the Economic Report of the President released by the President's Council of Economic Advisers. Senior Fellow Alice Rivlin continued to drive the conversation about fiscal priorities on Capitol Hill, both in private meetings with lawmakers and in congressional testimony. Rivlin's Medicare premium support plan, developed with former Senator Pete Domenici, became the basis for a widely debated proposal introduced by Democratic Senator Ron Wyden and Republican Congressman Paul Ryan—a rare instance of bipartisan cooperation.

As the U.S. economy sputtered, the rise in income inequality came into sharper focus. Senior Fellows Isabel Sawhill and Ron Haskins, who co-direct the Center on Children and Families, were instrumental in revising the way the U.S. Census Bureau measures poverty to dramatically increase accuracy. On the

presidential campaign trail, Governor Mitt Romney and Senator Rick Santorum cited Sawhill and Haskins' joint research on expanding economic opportunity for low-income Americans.

As the deep economic crisis in Europe continued to threaten recovery in the United States, Brookings scholars engaged with World Bank and IMF leaders to grapple with the eurozone's challenges and their implications for global markets. Senior Fellow Eswar Prasad was among the Global Economy and Development scholars who advised the G-20 process prior to June's summit in Mexico. And as nations came together for the Fourth High Level Forum on Aid Effectiveness in Busan, Senior Fellow Homi Kharas shaped the forum's agenda and chaired its plenary session.

Perhaps the greatest mark of success is when a Brookings idea becomes law. Last year, the Senate passed bipartisan legislation to address the

**V**Delivering his first public address as World Bank president, Jim Yong Kim discussed his priorities for supporting international development in a highly vulnerable global economy.

flawed presidential appointment process based on the recommendations of Senior Fellows William Galston and E.J. Dionne, Jr. The Governance Studies Initiative on Public Sector Leadership worked this year to galvanize support for similar legislation in the House of Representatives—and in August, President Obama signed the Presidential Appointment Efficiency and Streamlining Act into law. Drawn directly from Galston and Dionne's work, this crucial step toward reform will improve the way our government functions.

As Washington remained gridlocked, Brookings research also highlighted policy solutions from state, local and metropolitan leaders to foster job creation and innovation. The Metropolitan Policy Program crafted regional economic development plans to harness the power of metropolitan areas as engines of job creation and sustainable growth. The Metro Program worked with Mayor Rahm Emanuel to design and implement a multifaceted economic development plan for Chicago, including a first-in-the-nation local infrastructure bank. Collaborating closely with metropolitan leaders, Senior Fellows Alan Berube and Mark Muro and Fellow Jennifer Bradley developed customized export plans for Portland, Los Angeles, Minneapolis-Saint Paul and Syracuse to double

regional exports. Through its new Global Cities Initiative, the Metro Program introduced a new strategic vision for helping U.S. cities and metropolitan areas emerge as global leaders in manufacturing and trade.

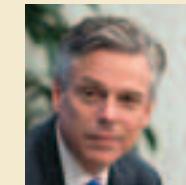
Ranked this year as the country's most widely cited think tank by Fairness and Accuracy in Reporting, Brookings reached more audiences than ever before through strategic communications outreach and critical investments in technology. The Office of Communications launched a redesign of Brookings's award-winning website with enhanced multimedia and social media tools to streamline presentation of key data for policymakers, the press and the public. The Office of Communications also launched a series of on-the-record media roundtables that engaged reporters and editors from the *New York Times*, the *Associated Press*, the *Los Angeles Times* and numerous others. And the communications team dramatically expanded data visualization to produce more than 60 web graphics that appeared on the websites of major news organizations, from the *Wall Street Journal* to the *Huffington Post*. ●

**V**In July, Governor Chris Christie delivered a keynote address on the economy, job creation and tax reform, highlighting his efforts to restore fiscal integrity and accountability to state and local government.



PHOTO BY PAUL MORGAN

**Distinguished Fellows Deepen Brookings's Impact**  
**A**s part of Brookings's engagement of outstanding public servants in our mission, the Institution has created a category of Distinguished Fellows. They participate in Brookings events when their travels permit, advise the work of fellow scholars and staff, and serve as ambassadors for the Institution. Brookings now has eight Distinguished Fellows:



**Jon Huntsman**  
Former U.S. Ambassador to China and Singapore and Governor of Utah; current Chairman of the Huntsman Cancer Institute



**Jean-David Levitte**  
Former French Ambassador to the United States



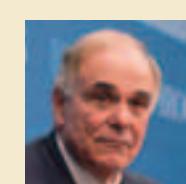
**Sadako Ogata**  
Former President of the Japan International Cooperation Agency (JICA) and United Nations High Commissioner for Refugees



**Thomas Pickering**  
Former Under Secretary of State for Policy Affairs; former U.S. Ambassador to the United Nations, the Russian Federation, India, Israel and Jordan



**Itamar Rabinovich**  
Former Israeli Ambassador to the United States and Chief Negotiator with Syria; former President of Tel Aviv University



**Edward G. Rendell**  
Former Governor of Pennsylvania and Mayor of Philadelphia



**Donna Shalala**  
Former U.S. Secretary of Health and Human Services; current President of the University of Miami



**Javier Solana**  
Former Secretary-General of the Western European Union, the Council of the European Union, and the North Atlantic Treaty Organization; former European Union High Representative for Common Foreign and Security Policy



### Brookings Priorities

**B**rookings's impact stems not only from the work of individual scholars, but from collaborative research that engages experts from across the Institution, bridging local, national and global perspectives on the issues. This, along with the ability to convene policymakers, business leaders and non-governmental experts to find solutions, is one of Brookings's distinctive strengths. This year, interdisciplinary teams of scholars came together to craft effective policy strategies on pressing social, economic and environmental challenges. Their work focused around Brookings's core set of priorities—growth through innovation, opportunity and well-being, energy and climate, and global change.

"Each of Brookings's key priorities corresponds

to the Institution's unique strengths—and in each area, we developed creative and workable ideas for policymakers and other world leaders," said Brookings Managing Director William Antholis. "This cross-program collaboration results in multifaceted solutions that ultimately deepen their impact."

With the U.S. economy still struggling in the wake of a deep recession—and enduring the longest uninterrupted period of high joblessness since the Great Depression—scholars in the Metropolitan Policy, Economic Studies and Governance Studies programs worked to find solutions to spur long-term economic prosperity. Early in the year, Brookings convened a major conference on **growth through innovation** that brought together government officials and CEOs of leading U.S. businesses to discuss ways to strengthen

America's economic competitiveness and new innovations in technology.

During the full-day conference, then-Secretary of Commerce John Bryson delivered a keynote address on the role the federal government must play in spurring innovation and effective economic development. Prominent business leaders—including Andrew Liveris, president and CEO of Dow Chemical Company; John Surma, chairman and CEO of U.S. Steel; and Ted Leonsis, chairman and CEO of Monumental Sports and Entertainment—highlighted the role of the private sector in boosting economic growth. Brookings Trustees, including Klaus Kleinfeld, chairman and CEO of Alcoa; Dominic Barton, worldwide managing director of McKinsey & Company; and Shirley Jackson, president of Rensselaer Polytechnic Institute, also shared their perspectives.

Poverty and economic mobility rose to the top of the domestic and international policy agenda in the wake of the global recession. Scholars in the Metropolitan Policy, Economic Studies and Global Economy and Development programs fostered critical dialogue on policies that can strengthen **opportunity and well-being** for citizens around the world. The Metro Program introduced groundbreaking work on where poverty is concentrated in the United States; Economic Studies experts focused on what fiscal and social policy change is needed to increase economic mobility and reduce poverty; and in Global Economy and Development, scholars addressed how to improve the effectiveness of foreign aid and achieve universal education.

Experts across the Foreign Policy, Economic Studies and Metro programs con-

PHOTO BY RALPH ALSWANG

During January's Growth through Innovation forum, Thomas Connelly (center), executive vice president and chief innovation officer at DuPont, discussed the importance of advanced industries and exports with Brookings Trustee Dominic Barton (left), worldwide managing director at McKinsey & Company. Bruce Katz, vice president and founding director of the Metropolitan Policy Program, moderated.

PHOTO BY RALPH ALSWANG



<  
Senator Marco Rubio delivered a major speech at Brookings on the future of U.S. foreign policy. Rubio argued that the U.S. must continue to engage globally and maintain its role as a leader in the international world order. Senator Joseph Lieberman provided welcoming remarks.

PHOTO BY PAUL MORIGI



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At the launch event for Campaign 2012, Senior Fellow Ron Haskins (second from right) addressed the critical challenge of the federal budget deficit, along with Senior Fellows William Gale (far right) and Isabel Sawhill (far left). John F. Harris (second from left), editor in chief of POLITICO, moderated the discussion.

PHOTO BY PAUL MORIGI

tinued crucial research on **energy and climate** issues. The Energy Security Initiative joined with the Brookings Doha Center to host a landmark international forum examining the economic and strategic implications of rising energy trade between Middle Eastern and emerging Asian economies; Economic Studies scholars examined the fiscal and environmental implications of a carbon tax and the controversial Keystone XL Pipeline; and the Metro Program developed the first comprehensive analysis of the clean economy's size, character and growth.

A rapidly shifting international order and new security challenges emphasized the need to **manage global change**. This year, experts in the Foreign Policy, Economic Studies and Global Economy and Development programs launched a major project to examine the ongoing crisis

in the eurozone, the status of the European Union and the impact on the global economic recovery. Joining together to address growing global concerns around cybersecurity, the 21st Century Defense Initiative in Foreign Policy and the Governance Studies program began first-of-its-kind research on advances in military and security technology and the advent of "cyberwar."

### Campaign 2012

As the contentious 2012 presidential campaign began in earnest, Brookings launched the Institution-wide Campaign 2012 project to go beyond the polls and sound bites of election year politics and examine the most critical public policy matters facing the country. Led by Governance Studies Senior Fellow Benjamin Wittes, Campaign 2012 looked at twelve major domestic and foreign policy

### Executive Education

In its third year as a partnership between Brookings and Washington University in St. Louis' John M. Olin Business School, Brookings Executive Education continued the five-decade tradition of Brookings training for the federal workforce, offering innovative educational opportunities rooted in the Institution's rigorous policy research and the Olin School's business expertise.

"In a time of severe fiscal challenges, we are providing today's public sector leaders with high-value, high-impact courses to expand critical skills," said Jackson A. Nickerson, director of Brookings Executive Education and a professor of organization and strategy at the Olin Business School. "Over 750 senior executives and managers are enrolled in our Certificate in Public Leadership program, now recognized as a mark of distinction among senior leaders in the federal bureaucracy."

Brookings Executive Education's signature Master of Science in Leadership—one of the few of its kind in the country—continued to grow. The degree offers government leaders a curriculum based on Office of Personnel Management guidelines. Through Olin Business School's participation in the Yellow Ribbon Program, many veterans who have valiantly served the nation are now taking advantage of Brookings Executive Education's world-class instruction.

The new "Inside Government" series on domestic policies allowed participants to hear directly from administration officials, congressional leaders and Brookings scholars. And the "Critical Issues" series addressed global policy challenges, from security in the Middle East to the emerging economies in East and South Asia.

Scholars from across the Institution published policy briefs, short essays and blog posts assessing these issues and outlining independent, fact-based ideas to forge a path forward. The project also hosted a series of live webcast events, moderated by POLITICO journalists, to foster discussion among Brookings scholars, journalists and the public and to highlight new policy recommendations. All of the papers produced by Campaign 2012 were published in a book that was released this spring. Together, they serve as a roadmap for the next presidential administration on issues of critical importance to American voters, regardless of party affiliation. ●

Through the new "BEE with YOU" program, Brookings brought executive education directly to agency locations across the country—including the U.S. Transportation Command at Scott Air Force Base and the Army Contracting Command at Redstone Arsenal. And a custom program designed for the Department of Veterans Affairs was submitted to the President's Management Council as a potential model for other government agencies. ●

SUPPORT FOR BROOKINGS

# Investing in Ideas That Matter



**<**  
Trustee Bart Friedman responds to a conversation with the Board on the 2012 U.S. presidential election.



**A**  
Trustee Cheryl Cohen Effron participates in a Brookings Council discussion in New York.



**A**  
Vice Chair of the Board Suzanne Nora Johnson speaks with Trustees Leonard Schaeffer (center) and Al Engelberg, founder of the Engelberg Center for Health Care Reform.

**A**  
Vice Chair of the Board David Rubenstein leads a conversation on the role innovation has played as an underlying strength of the U.S. economy with Eric Schmidt, executive chairman of Google, during the joint Board of Trustees-International Advisory Council meeting.



**A**  
International Advisory Council member Andrónico Luksic at the group's seventh annual meeting.

## SUPPORT FOR BROOKINGS

**A**t its core, Brookings's strengths come from its people. The Institution brings together the very best scholars—thought leaders with first-rate academic credentials and practical experience in government and the private sector—in an environment of intellectual freedom. It gives them the tools they need to pursue their ideas and possible solutions and then disseminate them to influential audiences. This is only possible with the philanthropic support of donors who share the Brookings vision that independent policy research is indispensable to how we, as a nation, govern ourselves.

### Leadership Gifts Build a Platform for Sustained Excellence

In 2012, donors demonstrated their confidence in Brookings with investments of more than \$118 million in new commitments, the highest one-year total in the Institution's history. These resources, which sup-

port work in all five research programs and underwrite core operations, provide the solid foundation that enables Brookings to respond to national and global challenges with independent, fact-based research. Major support from Brookings Trustees and other individuals, corporations and foundations advanced research priorities in key areas and helped ensure the long-term financial health of the Institution.

Brookings is grateful to its entire family of supporters—the people and institutions whose financial contributions bring the critical resources that make it possible for Brookings to engage with policymakers and thought leaders around the world. A number of important gifts are highlighted throughout the pages of this report, and these, along with several other major investments, helped ensure that Brookings experts had the tools to bring their intellectual heft and methodological rigor to even the most vexing problems facing the country.

Examples of these criti-

cal investments in Brookings include Trustee Vicki Sant's commitment to Brookings's general operations and to the Center on Children and Families. The Turkish Industry and Business Association established a new senior fellow position in the Center on the United States and Europe that gives CUSE enhanced capacity to address the pressing issues in the U.S.-Europe relationship, including work on Turkey. Brookings also renewed its partnership with the University of Nevada, Las Vegas (UNLV), which includes both the Metro Program's work on the mountain west and the innovative Brookings Mountain West program of scholar residencies, with a four-year, \$6 million gift from UNLV.

Even as they tackle the most pressing front-page issues, Brookings experts always have one eye on the challenges looming just over the horizon, so multiyear gifts that enable both sustained attention to ongoing issues and nimble responses to breaking developments are particularly valuable. As Brookings

**>**  
International Advisory Council member Hutham Olayan participates in a simulated emergency session of the United Nations Security Council during the IAC's annual gathering, as Brookings Managing Director Bill Antholis and Senior Fellow Steve Cohen listen.



the Brookings Energy Security Initiative, examined the growing role of domestic natural gas supplies. Senior Fellow E.J. Dionne, Jr. and Council members in Greenwich explored the implications of the possible election outcomes for U.S. foreign policy and its role in the world. Senior Fellows Tom Mann, the W. Averell Harriman Chair in American Governance, and Sarah Binder led a conversation in Washington about the key causes and implications of the dysfunctional state of American politics.

In all of these events, members of the Brookings Council had the opportunity to pose questions to the participating Brookings experts and engage in a thoughtful discussion of the pressing issues of the day. Brookings strives to not only bring innovative thinking to the most difficult problems facing the country and the world, but to also draw on the views of Council members, whose experiences on the front lines of the private sector help inform the Institution's research.

### Brookings Council Engages in Policy Dialogues with Leading Experts

Brookings works to connect its supporters nationwide with the Institution through event invitations (and transcripts and webcasts for those who can't attend in person), conference calls, complimentary publications and other interactions with Brookings leadership and scholars. The 2012 Brookings Council calendar touched on the full range of foreign and domestic policy issues facing decision-makers in exclusive events that featured some of the Institution's leading experts.

Highlights include Kenneth Lieberthal, director of the John



L. Thornton China Center, speaking to a capacity crowd in Washington on achieving corporate success in China, and Vice President of Governance Studies Darrell West discussing online privacy and security with Council members in New York and Washington. Brookings President Strobe Talbott gave an overview of America's challenges to a group in Greenwich, Connecticut, while Senior Fellow Alice Rivlin led a sobering discussion of deficits, debt and the economic future with a very engaged audience in New York.

Fellow Douglas Elliott and Senior Fellow Domenico Lombardi spoke to Council members in New York on the eurozone crisis and its possible outcomes and resolutions. Addressing a topic that holds tremendous implications for the U.S. economy, Senior Fellow Charles Ebinger, director of the



**<**  
Vice Chair of the Board Suzanne Nora Johnson offers her thoughts on how Latin America has weathered the economic crisis and where opportunities for growth lie going forward.



**>**  
Rahul Bajaj, member of the International Advisory Council, discusses the Obama administration's foreign policy goals with Tom Donilon, assistant to the president for national security affairs and a former Brookings Trustee. Chair of the Board John L. Thornton listens.



## SUPPORT FOR BROOKINGS

role of independent research and analysis have made financial and intellectual investments in the Institution's mission. Their support provides the resources that underwrite Brookings's research agenda and the communications and outreach tools that are essential to reaching a broad and influential audience.

More than 130 companies joined the Brookings Council in 2012, giving their senior executives frequent, exclusive opportunities to engage with Brookings experts and their work. Brookings values the insights and experience that these corporations bring to a range of public policy issues, as well as the respect these companies hold for the Brookings brand of high-quality, independent research

### Louis Cabot Celebrates 50 Years as a Brookings Trustee

**2**012 marked 50 years on the Brookings Board of Trustees for Louis Cabot, who served as chair from 1986–1992. When Louis joined the Board in 1962, Brookings had just moved into its new headquarters at 1775 Massachusetts Avenue, just east of Dupont Circle, from its original home on Jackson Place. John F. Kennedy was in the White House and the Cuban Missile Crisis was about to begin. In his half-century of service to Brookings, Louis has guided the Institution in helping the nation meet its most difficult challenges. Throughout, he has embodied the qualities that have made Brookings the world's leading think tank: a dedication to independent thought and the value of intellectual pursuits. At the June Board meeting, current Chair John L. Thornton presented him with a framed copy of the 1962 Brookings Annual Report as a token of the Institution's gratitude for five decades of support, counsel, and unwavering leadership.

Trustees Louis Cabot, chair emeritus, and Ezra Zilkha (right) mark Cabot's 50th year on the Brookings Board.

Trustee Howard Cox debates what the 2012 election will mean for governance and policymaking with Wilbur Ross, chair of the Brookings Economic Studies Council.

PHOTO BY PAUL MORGAN



Trustees Alan Dachs, chair of the Foreign Policy program Leadership Committee (left), and Ben Jacobs listen to a discussion on challenges in the Middle East with experts from Foreign Policy and the Brookings Doha Center.

PHOTO BY PAUL MORGAN



International Advisory Council Co-Chairman Paul Desmarais (right) and IAC member Andrónico Luksic exchange perspectives on the challenges and opportunities facing Latin American countries.

PHOTO BY PAUL MORGAN



Trustee Tracy Wolstencroft reacts to a panel discussion on competing policy ideas for restoring U.S. economic growth.

PHOTO BY PAUL MORGAN



Niharika Chibber  
Joe and Paul Brooks from Tata Sons Ltd. with Nonresident Senior Fellow Jane Nelson (center) at a Brookings Council event hosted by the Tata Group of companies in New York, where Nelson spoke about private sector solutions for creating sustainable development strategies.

PHOTO BY J. AVERY WHEAM

Wolfers can continue to attract top economists as paper authors and respondents and maximize the distribution of the journal to important audiences.

Brookings also received multiyear support from Liberty Mutual for the work of experts in the Foreign Policy and Global Economy and Development programs. As a global company competing in a variety of markets, Liberty Mutual's executive leadership recognized that Brookings's independent research on global trends—the growth of the middle class worldwide, the rise of emerging markets and democracies, and the evolution of multilateral institutions like the G-20—could help U.S. industry understand important developments. The company's support for Brookings includes work on the critical countries and regions—China, India, Russia, Latin America, Southeast Asia and Europe—that drive the global economy.

General Electric provided important support through the GE Foundation for the Metropolitan Policy Program's work on the next economy and strategies that cities and metro areas can employ to take maximum advantage of their growth potential. The Metro Program's vision for the future economy—one that is export-based, rich with opportunity and low-carbon—holds great promise for sustainable, broadly shared economic growth and prosperity. Forward-looking companies like GE are investing in Brookings to help find long-term solutions to the challenges

The Annie E. Casey Foundation has generously supported Brookings's domestic policy work for many years,

with strategic investments in the Economic Studies and Metropolitan Policy programs. The Foundation's more than \$800,000 in grants in 2012 includes critical funding for research on supports for low-income families, such as the Earned Income Tax Credit, and a regional study on Baltimore, where the foundation is based. The Casey Foundation also provides important resources for the Center on Children and Families, which is co-led by Senior Fellows Isabel Sawhill, the Cabot Family Chair, and Ron Haskins. Its innovative work on the Social Genome Project is building a computer model of social interventions at various stages of life to determine the most effective approaches to help low-income individuals reach "middle class by middle age."

New Trustees Hanzade Doğan Boyner, John White, Jr., and John Chen share key takeaways from their first Board meeting.



### Welcoming New Trustees

Brookings elected four new Trustees to the Board in 2012. They join a distinguished group of the country's foremost business executives, academics, community leaders and former government officials. The Board, which meets three times a year, helps govern the business affairs of the Institution, approves the fields of scholarly investigation, and safeguards the independence of the Institution's work. Brookings welcomes its newest members to the Board of Trustees:

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New Trustee James Rogers discusses the benefits of investing in clean energy innovation during a Hamilton Project forum at Stanford University that focused on how best to manage new opportunities while achieving the U.S.'s long-term energy and environmental goals.

PHOTO BY STEVE CASTILLO/PHOTOBEST

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## STATEMENT OF ACTIVITIES

Years Ended June 30, 2012 and 2011 (in thousands)

Preliminary and Unaudited\*

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	FY 2012 TOTAL	FY 2011 TOTAL
<b>OPERATING ACTIVITIES</b>					
<b>Revenue and Support</b>					
Investment return designated for operations	\$ 9,943	\$ 2,844	\$ 10,537	\$ 12,787	\$ 12,420
Grants, contracts, and contributions	19,100	86,883	-	116,520	86,935
Brookings Press	1,941	-	-	1,941	2,226
Facility and other revenue	2,472	-	-	2,472	694
Net assets released from restrictions— Satisfaction of program restrictions	58,801	(58,801)	-	-	-
Total Operating Revenue	92,257	30,926	10,537	133,720	102,275
<b>OPERATING EXPENSES</b>					
<b>Program Services</b>					
Economic Studies	15,635	-	-	15,635	15,883
Foreign Policy	19,157	-	-	19,157	17,356
Global Economy and Development	9,317	-	-	9,317	8,914
Governance Studies	5,580	-	-	5,580	4,290
Metropolitan Policy Program	12,143	-	-	12,143	9,404
Other Research	1,850	-	-	1,850	2,193
Executive Education	1,085	-	-	1,085	1,500
Brookings Press	2,690	-	-	2,690	2,681
Communications	2,485	-	-	2,485	2,209
Total Program Services	69,942	-	-	69,942	64,430
<b>Supporting Services</b>					
Management and General	18,643	-	-	18,643	19,272
Fundraising	2,593	-	-	2,593	3,171
Total Operating Expenses	91,178	-	-	91,178	86,873
Net Operating Activity	1,079	30,926	10,537	42,542	15,402
Change in net assets before non-operating activities	1,079	30,926	10,537	42,542	15,402
<b>NON-OPERATING ACTIVITIES</b>					
Investment return in excess of amounts designated for operations					
Realized gain (loss) on sale of investments	8,464	-	-	8,464	7,383
Unrealized gain (loss) from investments	(10,263)	-	-	(10,263)	42,370
Interest and dividends, net	305	-	-	305	970
Investment return designated for operations	(9,943)	(2,844)	-	(12,787)	(12,420)
Total investment return (loss) in excess of amounts designated for operations	(11,437)	(2,844)	-	(14,281)	38,303
Total Non-Operating Activities	(11,437)	(2,844)	-	(14,281)	38,303
Change in net assets before post-retirement related changes other than net periodic post-retirement benefit cost	(10,358)	28,082	10,537	28,261	53,705
Post-retirement related changes other than net periodic post-retirement pension cost	288	-	-	288	1,408
CHANGE IN NET ASSETS	(10,070)	28,082	10,537	28,549	55,113
Net assets, Beginning of year	183,086	111,187	60,170	354,443	299,330
Net assets, End of year	\$173,016	\$139,269	\$70,707	\$382,992	\$354,443

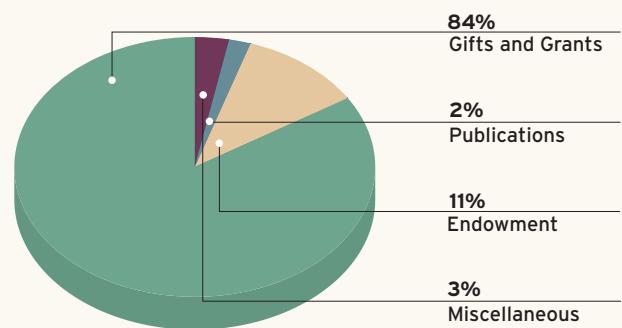
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As of June 30, 2012 and 2011 (in thousands)

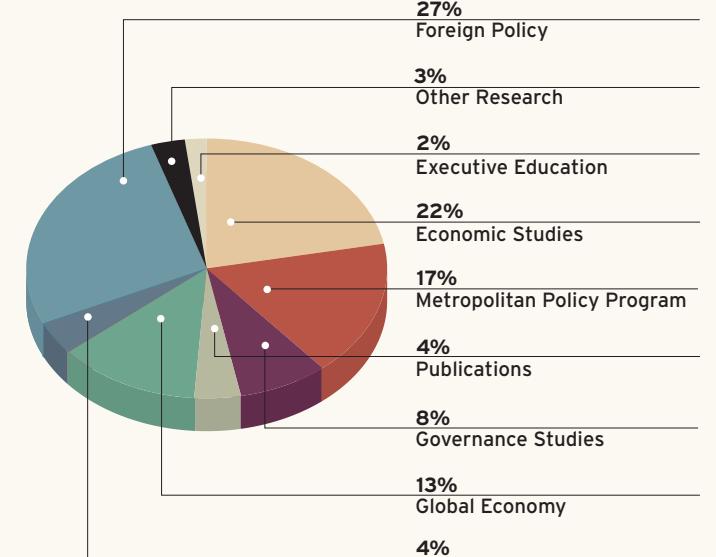
Preliminary and Unaudited\*

	2012 TOTAL	2011 TOTAL
<b>ASSETS</b>		
Cash and cash equivalents		
Cash and cash equivalents	\$ 36,643	\$ 17,555
Grants, Contributions and accounts receivable, net	92,472	69,171
Inventory	355	451
Investments	262,209	275,066
Property and equipment, net	45,249	45,862
Other assets	1,687	1,934
TOTAL ASSETS	438,615	410,039
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	(8,050)	(6,963)
Bonds payable and lines of credit	(43,540)	(44,377)
Accrued compensated leave	(1,366)	(1,386)
Accrued post-retirement benefit obligation	(2,305)	(2,593)
Deferred revenue	(362)	(277)
TOTAL LIABILITIES	(55,623)	(55,596)
<b>NET ASSETS</b>		
Unrestricted	(173,017)	(183,086)
Temporarily restricted	(139,269)	(111,187)
Permanently restricted	(70,706)	(60,170)
TOTAL NET ASSETS	(382,992)	(354,443)
TOTAL LIABILITIES AND NET ASSETS	\$ (438,615)	\$ (410,039)

## Operating Revenues



## Program Services Expenses



### Notes:

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

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

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

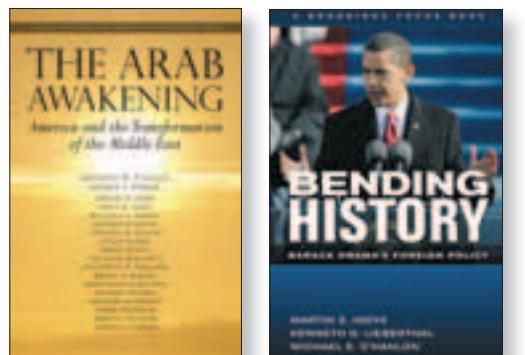
In an age when new communications technologies have accelerated the speed of public debate without necessarily improving its content, Brookings remains committed to e-books and the printed word. Book-length treatments of the world's most pressing issues remain critical tools for setting the agenda and shaping the debate among policymakers, journalists, business executives and other thought leaders.

Deep partisan divides, combined with heated election-year politics, dominated policy discourse and hindered progress on crucial challenges in the United States. Brookings scholars from

across the Institution worked to get ahead of the political process by presenting authoritative analyses of the most critical policy tests awaiting November's winner in *Campaign 2012: Twelve Independent Ideas for Improving American Public Policy*. Edited by Senior Fellow Benjamin Witter,

this volume is the capstone of the all-Brookings Campaign 2012 project. It offers comprehensive and pragmatic recommendations on issues ranging from fiscal policy and political dysfunction to a transforming Middle East and the threat of terrorism. The Brookings Press sped the publication of this and other high-quality manuscripts more quickly than most academic presses, putting them onto bookshelves in time for maximum impact.

Amid debate about whether America is declining as a world power, the Brookings Press released several titles offering new perspectives on the Obama



administration's foreign policy performance. In *Bending History: Barack Obama's Foreign Policy*, part of the Brookings Press FOCUS Series, Vice President and Director of Foreign Policy Martin Indyk and Senior Fellows Kenneth Lieberthal and Michael O'Hanlon argue that President Obama has been a foreign policy pragmatist, tackling issues thoughtfully one at a time, but without strategic coherence to connect serious global challenges.

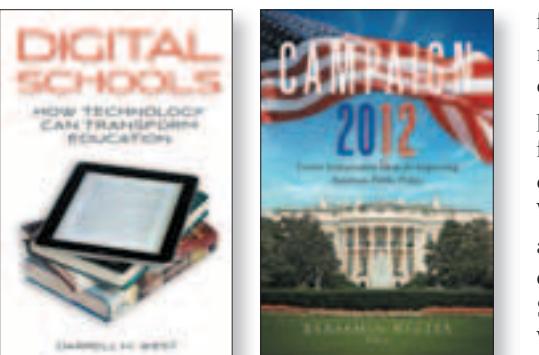
Jeffrey A. Bader, recently named the John C. Whitehead Senior Fellow in International Diplomacy, examines East Asian policy in *Obama and China's Rise: An Insider's Account of*

social media to socioeconomic and demographic conditions to the influence of Islamists. Now the standard reference on the Arab awakening, the volume is used by policymakers and other thought leaders seeking to understand the shifting political order within Arab nations.

Focusing on the need for effective foreign aid in a rapidly changing global environment, *Catalyzing Development: A New Vision for Aid* outlined game-changing strategies to help fragile countries out of poverty. Edited by Senior Fellow Homi Kharas, the book was instrumental in shaping the agenda and discussions at the Fourth High Level Forum on Aid Effectiveness held in Busan in the fall of 2011.

The debt crisis in the euro-zone escalated concerns about a double-dip recession in the U.S. and another global economic downturn. *Saving Europe: How National Politics Nearly Destroyed the Euro*, authored by Visiting Fellow Carlo Bastasin, traces the crisis from the market collapse of 2008. Bastasin, an internationally renowned financial journalist, reveals how the nexus of international economics and national politics has pushed the euro to the brink of extinction.

New volumes focused on America's ongoing struggle to emerge from the Great Recession and restore fiscal stability.



Senior Fellow Barry Bosworth examines why saving rates in the U.S. have fallen drastically, and why that matters, in *The Decline in Savings: A Threat to America's Prosperity?* And in *No Slack: The Financial Lives of Low-Income Americans*, Nonresident Senior Fellow Michael Barr details how the financial system continues to fail the most vulnerable Americans.

Analyzing the impact of groundbreaking new technologies, Senior Fellow Benjamin Witter and Nonresident Senior Fellow Jeffrey Rosen co-edited *Constitution 3.0: Freedom and Technological Change*—a collection of essays by renowned legal scholars that together

offer a roadmap for adapting our nation's core constitutional principles to future technological developments. Vice President and Director of Governance Studies Darrell West examines how technology can dramatically increase the efficacy of public education in *Digital Schools: How Technology Can Transform Education*.

The Brookings Press also released new paperback editions of several successful titles, including Senior Fellow Bruce Riedel's *Deadly Embrace: Pakistan, America and the Future of the Global Jihad*; William Antholis and Strobe Talbott's *Fast Forward: Ethics and Politics in the Age of Global Warming*; and Darrell West's *Brain Gain: Rethinking U.S. Immigration Policy*. These books have become required reading among leading policymakers and other thought leaders in their respective fields. ●

# BROOKINGS