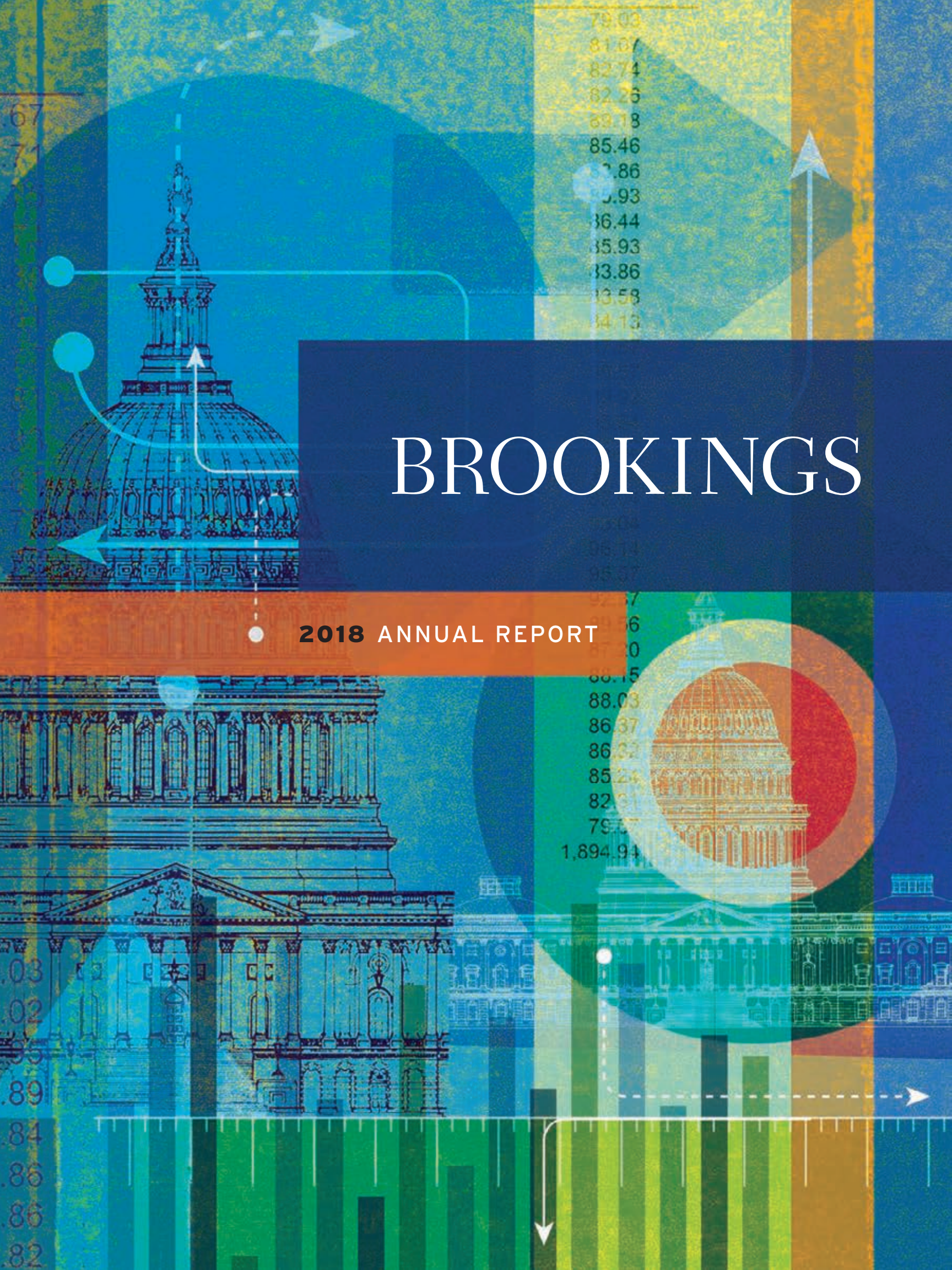
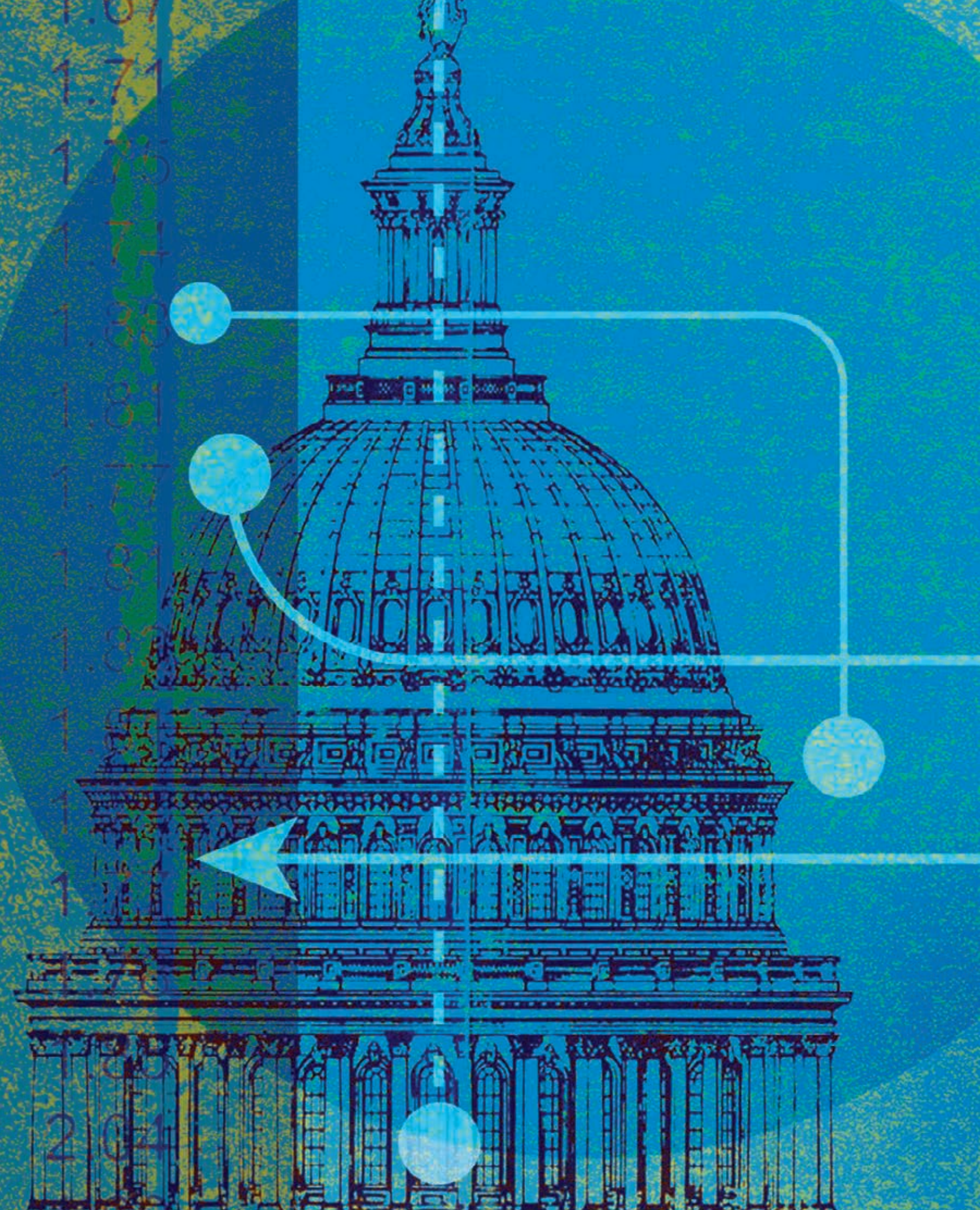




BROOKINGS

● **2018** ANNUAL REPORT



New Leadership for a New Era

Brookings welcomed retired Marine Corps General John R. Allen as the eighth president of the Institution in November 2017. He brings to the position a lifetime of leadership and service, and a commitment to the high-quality, independent research that has defined Brookings since it was founded over a century ago. In these challenging times for the nation and the world, he leads an Institution built to achieve real impact on policymaking. With a deep bench of top experts across disciplines, a skilled communications team, and an efficient administrative infrastructure, Brookings brings smart, fact-based policy solutions to the biggest challenges facing society.

PHOTO: PAUL MORIGI



Chair of the Board
John L. Thornton and
Brookings President
John R. Allen

CHAIR OF THE BOARD'S LETTER

Today's Washington bears little resemblance to the city where, in 1916, Robert S. Brookings and his colleagues established the Institute for Government Research, which would become the Brookings Institution. This founding group was devoted to improving administrative efficiency by bringing sound business practices to the operation of the federal government. Among the Institute's earliest accomplishments was developing the blueprint for the Bureau of the Budget, which streamlined what had been a sprawling, inefficient process. Making government work better has always been at the heart of what our scholars do.



PHOTO: PAUL MORIGI

While our mission has endured, the environment in which we operate has changed dramatically. Partisanship has devolved into outright tribalism, and the sense of common purpose that once united the country has been supplanted by a zero-sum mindset. In an era when even the notion of truth has come under attack, it is more important than ever for policymakers, the media, and the public to have a trustworthy source of information about the economy, society, and foreign affairs. This is the very role Brookings has played for over 100 years—not as arbiter of the truth, but as a non-partisan institution that provides analysis rooted in facts and fresh, practical policy ideas that emerge from independent scholarly inquiry.

Over the past year, as we welcomed John R. Allen as Brookings's new President, our Institution remained committed to doing work of the highest quality that achieves maximum impact. Under John's leadership, honed over four decades of military and government service, Brookings is taking on the biggest challenges of our time. He has also identified a set of Institution-wide research priorities—on the Future of the Global Middle Class, Artificial Intelligence and Emerging Technologies, and American Leadership in the 21st Century—that you will read about in the following pages. Each of these areas will have significant influence in shaping our world, and Brookings is the ideal place to help policymakers better understand them.

All of this is possible only with the generous support of Brookings's many donors. The funds they contribute each year, whether in support of specific research projects or Brookings's general operations, keep our vital mission alive. With all of the challenges facing the United States and the world, Brookings has a critical part to play, and we are grateful for the confidence our donors show in us. Everyone at Brookings—from the Board of Trustees and the President to the scholars and staff—works hard every day to build and maintain that trust.

A handwritten signature in black ink, reading "John L. Thornton". The signature is stylized and fluid.

John L. Thornton
Chair of the Board

PRESIDENT'S LETTER

Since our founding, the Brookings Institution has worked to identify policy solutions to the greatest challenges facing our world, using nonpartisan research firmly grounded in facts and free from ideological bias. Now more than ever, at a moment when the very existence of agreed-upon facts and independence is being called into question, and at a time when civic, civil discourse is in ever-dwindling supply, that mission is even more essential. This is a mission about which I am deeply passionate, and a legacy I am committed to upholding as President of this Institution.

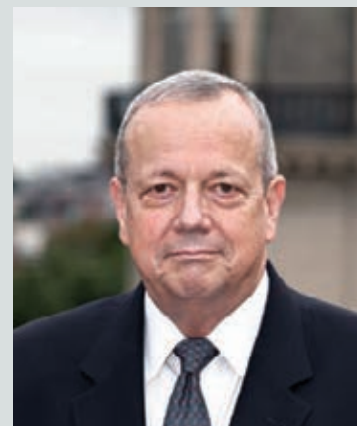
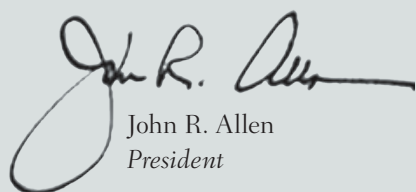


PHOTO: PAUL MORIGI

Advancing this mission successfully requires that Brookings operates efficiently. To that end, in my first year as President I have built a senior management team of the highest caliber, initiated a strategic review of the Institution, and announced new measures to enrich the experience of Brookings's staff through enhanced professional development programming and critically important efforts pertaining to inclusion and diversity. These actions are central to my overall management priorities in my role as President and, particularly as it pertains to staff enrichment, will continue to be a key focus.

Of course, the management and character of Brookings are in service of the research that our scholars produce. In seeking to identify transformational opportunities for our scholarly work, I have identified three Presidential Research Priorities that I believe are at the heart of the biggest challenges for the United States and the world: the Future of the Global Middle Class, Artificial Intelligence and Emerging Technologies, and the role of American Leadership in the 21st Century. These Priorities, which can and do intersect, cover a significant amount of the scholarship happening every day at Brookings, and will be focus areas of my own personal research and resource allocation in the coming years. Our ambitious endeavors will draw on Brookings's multidisciplinary strengths and the depth of expertise on our scholar roster.

All of these efforts, working in harmony, will help Brookings continue to be the leading think tank to address the challenges posed by the 21st century and beyond. The experts who call this Institution home stand ready to meet those challenges with thoughtful policy ideas and a determined commitment to quality, independence, and impact.



John R. Allen
President



Sustaining Economic Growth and Creating Shared Prosperity

PHOTO: PAUL MORIGI

Former Federal Reserve Chairs and now Distinguished Fellows in Residence Ben Bernanke and Janet Yellen speak about Yellen's career, her time at the Fed, and the current state of the economy

U.S. economic growth has picked up recently, after nearly a decade of modest growth. Unemployment has declined to levels lower than before the Great Recession. Despite this overall positive performance, the benefits of growth and economic mobility have not been broadly shared. Policymakers continue to face serious challenges in their efforts to ensure all Americans have the opportunity and ability to thrive in the modern economy. Experts in Brookings's Economic Studies program conduct research and make policy recommendations aimed at achieving broad-based economic growth, a strong labor market, sound fiscal and monetary policy, and economic opportunity and social mobility.

ENSURING STABILITY IN THE FINANCIAL SYSTEM

The financial crisis that unfolded ten years ago and led to the Great Recession highlighted the critical roles of policies and regulations meant to promote financial stability. Nellie Liang, the Miriam K. Carliner Senior Fellow, brought tremendous experience and expertise on the issue when she came to Brookings in February 2017 from the Federal Reserve, where she served as Director of the Office of Financial Stability Policy and Research.

Since joining Economic Studies, Liang has closely examined a range of topics related to the financial system, including the value of well-designed stress tests for banks and other financial institutions, the role of bank capital requirements and the link between financial conditions and economic growth. At Brookings, she is able to share her expert perspective on ongoing regulatory activity. Her analysis of the Department of the Treasury report on financial regulation, for example, identified both areas where she believes Treasury's approaches would achieve its policy goals and areas where it would increase risks. In September 2018, Liang was nominated by President Trump to join the Federal Reserve Board of Governors.

PHOTO: PAUL MORIGI



Former Vice President Joe Biden discusses the future of the middle class at an event co-hosted by the Biden Foundation



Administrator of the Office of Information and Regulatory Affairs Neomi Rao outlines what comes next for President Trump's regulatory agenda

THE COMPLEX NATURE OF REGULATORY POLICY

President Trump came to office promising to reduce the number and burden of federal regulations. At about the same time, Brookings launched the Center on Regulation and Markets to inform and improve regulatory policymaking by providing independent scholarly insights on regulatory performance and the regulatory process, and on the efficient and equitable functioning of economic markets. Among other things, the Center's work aims to examine the formulation and implementation of regulations and deregulatory efforts in order to balance societal benefits of regulation against the costs, including costs to economic activity.

One year into the Trump presidency, Brookings welcomed Neomi Rao, Administrator of the Office of Information and Regulatory Affairs (OIRA) for a public event. She delivered remarks on her role at OIRA, the Office's achievements in 2017, and the Trump administration's vision, goals, and priorities for regulatory policy moving into 2018. Following her address, Executive Vice President of Brookings Ted Gayer led a conversation that focused on the administration's executive orders aimed at deregulation.

UNDERSTANDING THE FUTURE OF THE AFFORDABLE CARE ACT

From the moment the Affordable Care Act was signed into law by President Obama, Republican legislators and presidential candidates have sought to repeal or scale back the law. When the GOP won control of the White House and both houses of Congress in 2016, they finally had the opportunity to deliver on their goal.

Support for Macroeconomic Research that Illustrates the Big Picture

The Economic Studies program at Brookings undertakes research on immediate and emerging economic challenges facing the United States and the world. The long-term issues that Brookings experts work on are critical to growth and prosperity. Donors who provide financial support for this work understand the value of anticipating what conditions might look like in the future and what policies should be put into place now to deal with them. For the last 80 years, the Alfred P. Sloan Foundation has supported economic research at Brookings on topics ranging from regulation to capital markets and foreign direct investment to tax policy and improving economic measurement. In fact, the first check ever sent by the Sloan Foundation was to Robert S. Brookings.

Under the leadership of new president Adam Falk, the Sloan Foundation made key grants for research on measuring productivity and extending working life. The foundation also supports the Center on Regulation and Markets and the *Brookings Papers on Economic Activity*, the Institution's flagship macroeconomic journal. Brookings is grateful for the Sloan Foundation's long history of support.



Louise Sheiner, Robert S. Kerr Senior Fellow and Policy Director of the Hutchins Center on Fiscal and Monetary Policy, shares her views on the Federal Reserve's 2 percent inflation target

Analyzing the Tax Cuts and Jobs Act

Tax reform was a central priority for President Trump and his Republican allies in Congress in the first year of his administration. The Tax Cuts and Jobs Act, which became law in December 2017, is set to have a profound impact on the nation's finances. Despite the ambitious claims of its backers, according to Senior Fellow Adam Looney, it falls short of tax reform's potential to boost long-term economic growth and improve Americans' living standards, instead pushing real tax reform into the future.

Looney's work on the many ways the bill encourages tax avoidance was particularly impactful in the months leading up to its passage. His research revealed how the plan's proposed pass-through business and corporate tax rate changes would encourage wealthy business owners and individuals to use C-corporations as a way to shelter their taxes. He also published an Urban-Brookings Tax Policy Center paper on the increasing abuse of a land conservation tax deduction—research which informed a collaborative exposé by *Fortune* and *ProPublica*. Following the bill's passage, Looney and his co-author, Kellogg School of Management Professor Benjamin Harris, published an influential Urban-Brookings Tax Policy Center paper, "The Tax Cuts and Jobs Act: A Missed Opportunity to Establish a Sustainable Tax Code," that identifies six key steps that policymakers could take to improve the tax code. Given the unsustainable fiscal path that the new tax code puts the nation on, their recommendations provide a roadmap for tax reform that fixes a number of key flaws of the Tax Cuts and Jobs Act.

Senior Fellow William Gale, the Arjay and Frances Fearing Miller Chair in Federal Economic Policy and co-director of the Urban-Brookings Tax Policy Center, was also active in the run-up to passage of the Tax Cuts and Jobs Act with recommendations and cautions for Congress, and has published extensive analysis of its impacts in the aftermath. In papers, blog posts, and public events, he has shared his views on challenges to administering the law, what it means for businesses, effects on the nation's fiscal picture, and prospects for low- and middle-income households.

PHOTO: PAUL MORIGI



Stanford University Professor Raj Chetty discusses how exposure to innovation influences people to become inventors

PHOTO: PAUL MORIGI



Securities and Exchange Commission Chairman Jay Clayton (right) outlines his perspectives on securities regulation with Senior Fellow Martin Neil Baily, the Bernard L. Schwartz Chair in Economic Policy Development

Executive Vice President Ted Gayer, the Joseph A. Pechman Senior Fellow, introduces an event on innovation. Gayer served as Vice President and Director of Economic Studies from 2013-18



PHOTO: PAUL MORIGI

As the Senate worked to develop a replacement health care law in fall 2017, experts in the USC-Brookings Schaeffer Initiative for Health Policy provided a steady stream of recommendations and analysis of the various proposals to roll back the Affordable Care Act. Through blog posts, opinion pieces, reports, and public events, they detailed the potential impacts of the proposed replacement bill on insurance coverage, individual market premiums, beneficiary costs, and state-level flexibility. Despite the ultimate failure of the Senate to enact health care reform in the current Congress, Republicans continue to pursue alternate approaches to repeal or unwind key parts of the legislation. With the individual mandate repealed as part of the GOP's new tax bill and more and more reform efforts occurring at the state level, Brookings experts are continuing to monitor new developments in the individual health insurance markets, as well as efforts to reform Medicare delivery, proposals to spur competition in the pharmaceutical market and lower drug prices, and more.

FISCAL AND MONETARY POLICY IN THE SPOTLIGHT

Brookings was pleased to welcome outgoing Federal Reserve Chair Janet Yellen as a Distinguished Fellow in Residence in the Hutchins Center on Fiscal and Monetary Policy. She joins her predecessor, Ben Bernanke, at the Center. Along with Don Kohn and Nellie Liang, these experts give Brookings an extraordinarily deep bench on monetary policy.

Under the leadership of Senior Fellow and Director David Wessel, Hutchins Center experts are exploring the lessons learned from the extraordinary fiscal and monetary policies of the past decade, the implications of the changing demography of the U.S. on the federal budget and on the economy, and ways to improve the measurement of the economy at a time of rapidly changing technology and globalization. Through the weekly "Hutchins Roundup" of new economic research and periodic "The Hutchins Center Explains" blog posts, Brookings experts distill complicated fiscal and monetary policy research, concepts, and debates to improve public understanding of important economic issues.

"I appreciate all the work done by (the Urban-Brookings Tax Policy Center) and others here today. You've been very helpful, and I look forward to working and, in some cases, debating these issues with all of you going forward."

– SENATOR ORRIN HATCH (R-UT)

How to Help the Forgotten Americans

The 2016 presidential election laid bare a number of economic, cultural, and political divisions in the United States that were not previously well known. Even as the American economy enjoyed a sustained expansion from the depths of the Great Recession, its benefits were not widely shared. Growing economic inequality amid a shrinking industrial sector and increasing international trade and technology left a large swath of the electorate feeling left behind by their government and skeptical of its motivations. Making the economy work for all is an urgent priority for improving the country and healing the divides in American society.

In the months after the 2016 election, Senior Fellow in Economic Studies Isabel Sawhill began a research effort aimed at better understanding the problems plaguing those left behind by the modern economy—a group President Trump has called "the forgotten Americans." The result of her work is a set of proposals designed to deliver what people want most: meaningful jobs they're prepared for and the dignity of work. In *The Forgotten Americans: An Economic Agenda for a Divided Nation*, Sawhill delivers a concrete plan for restoring faith in government and ensuring trusted institutions on both the local and federal level can deliver better job opportunities and higher wages to those who have been left behind.



Governors John Hickenlooper (D-CO) and John Kasich (R-OH) with Senior Fellow Isabel Sawhill ahead of the launch event for *The Forgotten Americans: An Economic Agenda for a Divided Nation* (from left)

Explore beyond the highlights.
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and follow @BrookingsEcon.

Charting the New Geopolitics: Implications of a Changing Order

PHOTO: PAUL MORIGI

Brookings President John R. Allen (right) leads a conversation with the Foreign Policy Leadership Council during its February 2018 meeting

President Trump came into office with a promise to put America first. His approach to foreign affairs reflects a mistrust of the international order that has been the basis of American foreign policy since shortly after the end of the Second World War. The president has taken nontraditional stances on everything from Article 5 commitments to NATO countries to the Russia relationship to trade tariffs. At the same time, important parts of his administration have implemented more traditional policies on core strategic questions. All this comes at a time when the foreign policies of China, Russia, Japan, India, and other major players are also in flux. The Foreign Policy program at Brookings has been at the forefront of charting the dynamic interactions between these different changes, undertaking a range of research, publishing, and convening activities to help policymakers and the public better understand the implications of a changing order.

WHAT COMES NEXT AFTER THE U.S. WITHDRAWAL FROM THE IRAN NUCLEAR DEAL?

Unraveling the Joint Comprehensive Plan of Action—the Iran nuclear deal—was an early priority for the Trump administration. In the aftermath of the American withdrawal from the deal and re-imposition of sanctions, Brookings experts have been examining the impact across the region, and the reaction from America's allies and the leadership of the Islamic Republic. Soon after President Trump announced his intentions, at least 18 Brookings experts offered extensive analysis on the implications of the move—including for issues like energy, North Korea, and India—via a number of major media outlets (such as the *Washington Post*, *The New Yorker*, and others), the *Order from Chaos* blog, Brookings podcasts, and elsewhere. Complementing this overview, Brookings experts published deeper examinations of key elements of the landscape following the U.S. withdrawal from the JCPOA, including how it affects the sanctions regime and energy markets, and ways that Iran could benefit by remaining in the deal without the United States.

PHOTO: PAUL MORIGI



David M. Rubenstein Fellow Alina Polyakova shares her views on Russia and Europe during a Brookings Board meeting



Robert Bosch Senior Fellow Constanze Stelzenmüller (left) and Edward Luce, Washington correspondent for the *Financial Times*, explore the implications of the America First agenda for the transatlantic relationship



Prime Minister of Norway Erna Solberg speaks about the role of the transatlantic partners in a changing global security environment at an Alan and Jane Batkin International Leaders Forum

This work builds on ongoing efforts by Senior Fellow Robert Einhorn and Deputy Director of Foreign Policy Suzanne Maloney to convene ideologically diverse dialogues with experts in government and think tanks to dig into the details of the nuclear deal's policy implications, identify common ground, and develop concrete, workable proposals for Washington and other stakeholders. In particular, they are exploring key questions around Iran's continued compliance with the terms of the JCPOA, including what inducements might encourage preservation of the agreement and what might signal its imminent termination.

NEGOTIATING WITH NORTH KOREA ON ITS NUCLEAR PROGRAM

In a year of rising tensions—and potential diplomatic breakthroughs—between North Korea and the United States, Brookings Foreign Policy established the Korean Peninsula Working Group, an initiative founded in September 2017 that brings together an interdisciplinary group of North Korea, Asia, and security experts to discuss regional dynamics and the implications for U.S. policy. The Working Group has served as the epicenter of North Korea policy debate and analysis at Brookings and has provided high-impact analysis for senior U.S. administration officials, taking advantage of its members' various channels and existing relationships. The Working Group has facilitated frank discussions on the Kim Jong-un regime's intentions and capabilities, opportunities and risks of various U.S. policy options, implications for U.S. alliances, and recommendations on the way forward. Activities have included private roundtables with other Korea experts from Washington and Track 2 and Track 1.5 dialogues with key stakeholders, as well as roundtables and briefings to

Rapid Response Funding for Breaking Events

Critical developments in international affairs can unfold at breakneck speed, requiring nimble policy responses. Brookings experts can bring thoughtful analysis and practical recommendations on short notice thanks to their deep grounding in regional issues and strategic relations, but it takes resources to make sure that their ideas get to policymakers quickly and ordinary fundraising efforts do not typically allow for such a short time horizon. The John D. and Catherine T. MacArthur Foundation's X-Grant program has provided critical rapid-action grants that respond to these urgent needs without requiring a long application or decision process.

Foreign Policy received two X-Grants this year. The first supported a Korean Peninsula Working Group conference to address policy changes if it turned out that Kim Jong-un sought to re-unify the Korean Peninsula by force, as some U.S. policymakers feared. The other enabled Brookings to conduct new activities as the deadline was approaching for the United States to certify Iran's compliance with the nuclear deal, including convening workshops, undertaking a study of Iran's missile program, and working with European stakeholders to examine ways to sustain the deal. Brookings is grateful for the MacArthur Foundation's support for these critical activities.



Vice President and Director of Foreign Policy Bruce Jones addresses the Brookings International Advisory Council at its annual meeting

"This is a world-class organization."

— THE HONORABLE RYAN D. MCCARTHY,
UNDER SECRETARY OF THE UNITED
STATES ARMY

Helping to Stabilize the U.S.-China Relationship in a Time of Tension: The Sunnylands Dialogue

Brookings scholars, distinguished policymakers, business leaders, military strategists, technology entrepreneurs, policy scholars, and education leaders from both the United States and China gathered at Jinhai Lake in Beijing, China, for the third Brookings-Sunnylands U.S.-China Leaders Forum on May 11-13, 2018. The Forum was organized to foster a zone of trust between the two countries and peoples as well as to develop and promote ideas for increased collaboration.

The session was preceded by five important meetings: a Brookings dialogue with the White House on North Korea; a Brookings-China Institutes of Contemporary International Relations Track 2 discussion on North Korea; a breakfast discussion with U.S. Ambassador to China Terry Branstad; a gathering of the dialogue participants with Chinese senior officials and guests at Diaoyutai Guest House; and a meeting of the American delegation to Sunnylands with Chinese Vice President Wang Qishan at Zhongnanhai.

Outcomes from the Forum have been shared at the highest levels of both countries, and Brookings and Sunnylands are hosting a dinner to review those outcomes with American policymakers including Assistant Secretary of State Susan Thornton, Senator Cory Gardner (R-CO), and Representative Rick Larsen (D-WA).

senior officials from the National Security Council, the Department of Defense, Pacific Command, the Department of State, and the Central Intelligence Agency. This work was an essential part of helping key actors in the administration avoid the resort to military options during this past year.

Led by Senior Fellow Jung Pak, SK-Korea Foundation Chair in Korea Studies in the Center for East Asia Policy Studies, the Working Group has also briefed numerous government and academic delegations from the Asia Pacific region—including the primary stakeholders, South Korea, China, and Japan—as well as from European countries.

In light of the possibility of inter-Korean dialogue and the potential for divergence or fissures in North Korea policy among the United States, allies, and other stakeholders, ongoing discussions about U.S. military strike options, and Pyongyang's determination to advance and test its nuclear weapons, Brookings views the Working Group's mission as more critical than ever.

ADVANCING A CONSTRUCTIVE AGENDA AT A TIME OF TRANSATLANTIC STRESS

In recent years a host of economic, political, security, and societal crises has consumed Europe, called its supra-national governance into question, and unleashed nationalistic and anti-establishment currents. With an American president inclined to disregard traditionally close allies and dispute the benefits of free trade and multilateralism, the transatlantic relationship is under strain in a way that threatens to splinter the Western alliance, which has helped to ensure security, freedom, and prosperity for seven decades. In the months ahead, Europe's leadership will face difficult choices in shaping and resolving issues tied to EU governance and institutions, global engagement, open societies and globalization, and relations with geopolitical powers such as China and Russia. Given the depth of transatlantic interdependence, these policy decisions will have a profound impact on the United States and core American interests.

Foreign Policy experts, led by the scholars in the Center on the United States and Europe (CUSE), have written widely on these issues over the course of the year. Senior Fellow and Director of CUSE Thomas Wright was one of the first researchers to identify President Trump's reluctance to endorse NATO's Article 5 mutual defense guarantee, and he has written several influential pieces on his policy toward Europe. Brookings Robert Bosch Senior Fellow Constanze Stelzenmüller penned an important paper on how European governments are reacting to President Trump's "America First" policy. Brookings Robert Bosch Senior Fellow Amanda Sloat wrote a notable paper on the West's relations with an increasingly problematic Turkey, making the case for constructive and principled

PHOTO: PAUL MORIGI



Senior Fellow, Director of Research, and Sydney Stein, Jr. Chair Michael O'Hanlon (right) welcomes Secretary of the Army Mark Esper to Brookings for a conversation on priorities for the U.S. Army



Senior Fellow Jung Pak, SK-Korea Foundation Chair in Korea Studies, discusses what to expect from the Trump-Kim nuclear summit in Singapore in a conversation moderated by Senior Fellow Frank Rose (right)



Senior Fellow, Director of the Center for East Asia Policy Studies, and Philip Knight Chair in Japan Studies Mireya Solís discusses the future of global trade with the Brookings International Advisory Council

engagement from the United States and Europe. In each case, analytical writings have been twinned with convenings and briefings to policymakers and public actors in Europe and the United States to help chart the way forward.

This scholarship has been fostered by the Brookings-Bosch Transatlantic Initiative (BBTI), a partnership with the Robert Bosch Foundation in Germany to develop independent, path-breaking research on transatlantic issues that has immediate applicability for policymakers and key stakeholders, as well as educational value for the public. The Initiative seeks to re-invigorate transatlantic cooperation by providing a platform for comprehensive research and programming on transatlantic relations and the future of European integration and governance. In addition to publications and convening, Brookings's transatlantic experts testified before key Congressional committees, including the Senate Select Committee on Intelligence and House Foreign Affairs Committee's Subcommittee on Europe, Eurasia, and Emerging Threats. Through its BBTI partnership with Bosch, Brookings drives impact and contributes to good governance and constructive transatlantic relations through high-quality, independent research.

50 Years: Legacies of the 1967 War

The Six-Day War in June 1967 transformed the Middle East's geopolitics, its military balance, its ideological trends, and several of its borders. Fifty years later, the Middle East order is again in flux. To mark the 50th anniversary of this pivotal event, Brookings experts weighed in on the legacy of the Six-Day War and its lessons about the volatile region today in a series of blog posts, essays, podcasts, and video interviews. Scholars from the Center for Middle East Policy and the Brookings Doha Center in Qatar examined the impact of the war on Syria and Saudi Arabia, and how it shaped energy politics and enabled Islamism to rise in the region. Other pieces in the series looked at the role of the United States and the war's effect on the Palestinians. As the Middle East continues to face significant uncertainty and instability, this series offers important insights into the dynamics of the region and the forces shaping its future.

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Africa Growth Initiative



PHOTO: PAUL MORIGI

Building a Better Globalization

President Paul Kagame of Rwanda (left) presents his vision for how a reformed Africa Union can contribute to prosperity across the continent during a conversation with Senior Fellow and Director of Global's Africa Growth Initiative Brahima Sangafoa Coulibaly

Whether conveyed by individual voters or declared in political party platforms, anti-globalization forces are ascendant—from the U.S. to Hungary to the UK and beyond. Meanwhile, the world has seen a massive drop in extreme poverty, rising living standards, and an unprecedented expansion of the global middle class. Yet, many people feel left behind and overlooked, suggesting that a better globalization—where the benefits of economic integration can be more broadly shared—is needed. Such a shift requires policies that foster innovation and technological development while tackling any adverse effects on workers. A better globalization also requires measures to counter rising inequality and ensure that no one is left behind, particularly the most vulnerable.

Over the past year, the Global Economy and Development program served as a marketplace of ideas around new issues and policy proposals for how to improve global economic cooperation, fight global poverty, identify (and alleviate) sources of social stress, and improve the natural capital of our planet.

STRENGTHENING THE DRIVERS OF SUSTAINABLE GROWTH

The uncertain state of the global economy and international trade has resulted in continued debate on the future of growth and economic progress. In his monthly *Project Syndicate* column, Senior Fellow and Edward M. Bernstein Scholar Kemal Derviş examined the engines of economic convergence, prospects for developing economies to find and tap sources of growth, and whether globalization can continue without the emergence of new forms of global politics, opening the way to a form of global democracy. Global experts continued researching the slowdown in productivity growth in most major developed economies, with David M. Rubenstein Fellow Dany Bahar publishing new work on how migration, as a driver of knowledge diffusion, can increase productivity.

PHOTO: ALEX IRVIN



Interim Vice President and Director of Global Economy and Development Homi Kharas published several pieces on measuring progress on the sustainable development goals this year



Brookings President John R. Allen discusses the security-development nexus with World Bank Group President Jim Yong Kim on a panel moderated by Roula Khalaf, Deputy Editor of the *Financial Times* (from right)

Amidst rising global trade tensions, particularly between the U.S. and China, Global scholars offered their views and perspectives in myriad broadcast and print media outlets, as well as in Brookings podcasts and videos. Senior Fellow Eswar Prasad, the New Century Chair in International Trade and Economics, provided insights on how digital currencies are reshaping international commerce and finance. Following the release of a new working paper, Prasad testified before the U.S. House of Representatives Financial Services Subcommittee on Monetary and Trade Policy on digital currency and the future of money. Senior Fellow Joshua Meltzer undertook new research on how countries and regions can maximize the opportunities presented by internet access and data use to digitize their economies and engage in digital trade.

Global also continued to inform the Group of 20 (G20) and its efforts to provide collective action to steer the global economy. Global engaged with collaborating institutions in Argentina and a broader G20 think tank network (Think20) in the lead-up to the G20 Summit in Buenos Aires, offering new policy proposals on issues such as sustainable infrastructure, the future of work, sustainable development, and cooperation with Africa. Global joined with two other think tanks to contribute to the deliberations of the G20's Eminent Persons Group on Global Financial Governance around international financing institution reforms.

The Brookings Blum Roundtable on Global Poverty Celebrates 15 Years

With generous support from Richard C. Blum

In August 2018, the Brookings Blum Roundtable on Global Poverty celebrated its fifteenth anniversary. Thanks to the leadership, foresight, and generosity of Brookings Trustee Richard C. Blum, the Roundtable has become a preeminent gathering that convenes high-caliber policymakers, private sector and civil society leaders, and academics for focused discussions on critical topics in global development. The fifteenth roundtable focused on challenges to and opportunities for U.S. foreign assistance and global leadership.



Richard C. Blum, founder of the Brookings Blum Roundtable on Global Poverty, with former Secretary of State Madeleine Albright, activist and philanthropist Annette Blum, Brookings President John R. Allen, Honorary Co-Chair Mary Robinson, and Interim Vice President of Global Economy and Development Homi Kharas (from right) at the 2018 Roundtable



UN Deputy Secretary-General Amina Mohammed speaks at the launch of *From Summits to Solutions*, a Brookings Press volume that outlines an agenda for achieving the Sustainable Development Goals

Ernesto Talvi, Director, Brookings Global-CERES Economic and Social Policy in Latin America Initiative, discusses the regional and global economy with Chilean Minister of Finance Felipe Larraín Bascuñán and Peter Hakim, President Emeritus of the Inter-American Dialogue (from right)



PHOTO: INTER-AMERICAN DIALOGUE

An Agenda for Achieving the Sustainable Development Goals (SDGs)

In September 2015, all 193 member nations of the United Nations agreed to adopt a set of 17 Sustainable Development Goals, or Global Goals, to be achieved by 2030. Each of the goals—in such areas as education and health care—is laudable in and of themselves, and governments and organizations are working hard on them. But so far there is no overall, positive agenda of what new things need to be done to ensure the goals are achieved across all nations.

In a search for fresh approaches to the longstanding problems targeted by the Goals, the Japan International Cooperation Agency Research Institute (JICA) and the Global Economy and Development program published *From Summits to Solutions: Innovations in Implementing the Sustainable Development Goals*. Co-edited by Brookings scholars Homi Kharas, Raj M. Desai, and John McArthur, together with Hiroshi Kato from JICA, the book's 16 chapters detail new approaches at the global, national, and local levels that could help the world reach the Goals through innovations beyond business-as-usual. The book was launched at a high-level roundtable on the margins of the High Level Political Forum in New York, featuring UN Deputy Secretary-General Amina Mohammed, who co-authored a chapter on advancing breakthroughs in SDG financing in Nigeria.

FOSTERING EMPLOYMENT AND INCLUSIVE GROWTH IN AFRICA

With five of the ten fastest growing economies in the world in Africa, scholars in the Africa Growth Initiative (AGI) examined the region's prospects for future growth and development. During a keynote speech at the 2018 Donor Committee for Enterprise Development, Senior Fellow and Director Brahim Coulibaly outlined his vision for new research to address Africa's demographic boom and youth bulge. With 40 percent of the world's population projected to be in Africa by the turn of the century, the region will need to create a critical mass of good quality jobs—and have a workforce with the necessary skills for the 21st century and beyond. In turn, Coulibaly argues, Africa's middle class will create tremendous market opportunities for the benefit of all. David M. Rubenstein Fellow Landry Signé analyzed the region's potential to expand global trade, including through the Continental Free Trade Agreement and the U.S. African Growth and Opportunity Act. Fellow Eyerusalem Siba offered perspectives on how secondary cities in Africa can drive inclusive and balanced economic development.

AGI's 2018 *Foresight Africa* report focused on ways that African nations and their citizens are pursuing inclusive growth on the continent. Contributing scholars examined how African policymakers should focus on institution-building, the mobilization of Africa's domestic resources, reforms to broaden the benefits of growth, rethinking Africa's structural transformation, harnessing the region's digital potential, and reassessing Africa's global partnerships. The report was launched in Washington, Abidjan, Côte d'Ivoire, and Nairobi, Kenya.

"I also want to thank Brahim and the Brookings Africa Growth Initiative for hosting this event, and contributing in building Africa's voice when it comes to discussing Africa."

— ALBERT ZEUFACK, WORLD BANK CHIEF ECONOMIST FOR THE AFRICA REGION



Senior Fellow and Director of the Center for Universal Education
Rebecca Winthrop outlines ways that innovations in education can leapfrog progress at the 2018 LEGO Idea Conference

HARNESSING INNOVATION IN EDUCATION

While access to education has improved around the world, learning has not kept pace. Experts predict that, if current trends continue, by 2030, 800 million children around the world—roughly half of the youth generation—will reach adulthood without basic secondary-level skills. Scholars in the Center for Universal Education (CUE) undertook new research and dialogue to help decision-makers support policies and practices that transform learning at scale to tackle the challenge.

Over the past year, a particular focus for Senior Fellow and CUE Director Rebecca Winthrop has been to identify innovative approaches—and the enabling conditions that allow them to take root and spread—that have the potential to exponentially improve learning opportunities for all children, a phenomenon she calls leapfrogging. The Center released a suite of publications, multimedia products, and blogs, including the book *Leapfrogging Inequality: Remaking Education to Help Young People Thrive*. The book analyzed nearly 3,000 innovations to identify current practices that have the potential to rapidly accelerate educational progress to ensure all young people develop the skills they need for a fast-changing world. The results were widely disseminated through events at the United Nations General Assembly, the LEGO Idea Conference, CUE's annual Research and Policy Symposium entitled “Citizens of the future: Innovations to leapfrog global education,” and various other venues.

Carol Graham Recognized for Happiness Research

Carol Graham, the Leo Pasvolsky Senior Fellow at Brookings, is a pioneer in the field of happiness economics. She has done extensive work on the determinants of happiness across countries and time. Graham has also been a leader in exploring the causal properties of well-being, such as more productivity and better health. Her recent work has focused on linkages between lack of hope and premature mortality—at the level of the individual, race, and place—in the United States. She is the author of over 50 articles in academic journals and seven books, including 2017's *Happiness for All: Unequal Hopes and Lives in Pursuit of the American Dream*.

Graham was awarded the 2018 International Society for Quality-of-Life Studies Distinguished Researcher Award, which recognizes a lifetime of substantial contribution to quality of life/well-being research. This follows the receipt of a Pioneer Award from the Robert Wood Johnson Foundation in 2017. Graham continues to explore the linkages between well-being, happiness, and life outcomes, including in 2018, when she published several reports on optimism and life expectancy and on the connection between hope and life outcomes.



Leo Pasvolsky Senior Fellow
Carol Graham delivering the 30th Annual Herbert Lourie Memorial Lecture on Health Policy at Syracuse University

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Improving Governance in an Unsettled Time

PHOTO: RALPH ALSWANG

Senior Fellow Norman Eisen moderates a discussion on transparency, anti-corruption, and sustainable development with Christine Lagarde, Managing Director of the International Monetary Fund, and Nonresident Senior Fellow Ngozi Okonjo-Iweala, Chair of Gavi (from left)

The presidency of Donald Trump has dominated headlines since he took the oath of office on January 20, 2017. Understanding what led to America's current, contentious state of governance and what is likely to happen next requires the in-depth research and analysis that experts in Brookings's Governance Studies program bring to a variety of issues.

LESSONS FROM THE 2016 ELECTION FOR THE 2018 MIDTERMS

Nearly two years after the final ballots were tallied, experts are still debating what happened in the 2016 presidential election. Factors ranging from Russian government interference to the cultural and economic anxieties of the electorate to the individual qualities of the candidates played a role in the outcome. The aftermath of that election is already shaping the future of governance and American politics in notable ways, from influencing who runs for office and who participates in the electoral process to raising awareness of our system's vulnerabilities. Experts in Governance Studies are taking a careful look at the implications of Trump's election across a broad swath of policy issues.

Under the leadership of Senior Fellow and Director of the Center for Effective Public Management Elaine Kamarck, the Primaries Project research team has been reviewing the lead-up to the 2018 midterm elections. By examining who is running, voting, and winning in this year's congressional primaries, the Primaries Project offers insights into what is happening in the Republican and Democratic parties—and where American politics is headed.

Throughout the primary season, the Primaries Project team published data and analyses that were critical to enhancing public understanding of what was happening in elections around the country. Early publications confirmed what many suspected: that unprecedented numbers of women and progressive

PHOTO: PAUL MORIGI



Vice President and Director of Governance Studies Darrell West, the Douglas Dillon Chair



Nonresident Senior Fellow and former U.S. Secretary of Education Arne Duncan discusses gun violence in Chicago with Youth Peace Center of Roseland Executive Director Wendy Jones, Director of Operations Rogers Jones, and Life Coach Jervon Hicks, along with Damien Flunder, a participant in Creating Real Economic Diversity (CRED) (from right)

candidates were running for office. Later analyses challenged another piece of conventional wisdom: the notion that a “civil war” was erupting inside the Democratic Party. Throughout the primaries, these researchers inserted much-needed data into the public discourse.

These primary races took place as the country searched for ways to make Congress better equipped to respond to the vast economic disparities revealed by political developments. Fellow Vanessa Williamson is compiling data on potential ways to increase voter turnout among low-income populations. Throughout the 2018 income tax preparation process, Williamson worked with tax preparers to offer low-income tax filers the opportunity to register to vote or update their voter registration. This will enable her to compare voter registration and turnout rates to determine whether encouraging access to electoral participation yields greater democratic engagement among low-income Americans.

President of the University of California and former Secretary of Homeland Security Janet Napolitano examines the impact of President Trump’s immigration agenda



“I have, like many of you, spent many fascinating and fruitful hours in this very room, often to discuss problems in the governance of places like Armenia and Azerbaijan, and Congo, places in South America, never thinking that someday we would have this conversation about the United States, yet here we are.”

– DAVID FRUM, EDITOR OF *THE ATLANTIC*

Preparing for the Digital Economy

As artificial intelligence and other emerging technologies become increasingly prevalent, the question of how they may affect society, the economy, and politics is becoming ever more urgent. The Brookings Initiative on Artificial Intelligence and Emerging Technologies and scholars in the Center for Technology Innovation and across the Institution are helping our nation’s leaders understand and respond to the coming “digitalization of everything.”

In the initiative’s inaugural paper, “How artificial intelligence is transforming the world,” Vice President and Director Darrell West and Brookings President John Allen recommend ways to ensure society benefits from these innovations, while minimizing the detrimental consequences.

West focuses specifically on the ways in which robotics and automation are affecting the labor market in his latest book, *The Future of Work: Robots, AI, and Automation*. He discusses the implications of this transformation on worker displacement and the need for more skills training, and new models for delivering social benefits. West argues that society needs to reconsider the concept of jobs, reform the social contract, and promote lifelong learning.

Leveraging Transparency to Reduce Corruption

Corruption is a central global challenge impairing inclusive social and economic development, financial stability, public confidence, and security in many emerging and industrialized economies. These ills interact with other governance failures and related factors to diminish public trust in democratic institutions and investors' confidence, imperil socio-economic prosperity, threaten sustainable development, and, ultimately, reduce quality of life for billions of people around the world.

A variety of initiatives relating to transparency, accountability, and participation (TAP) have launched in recent decades to address corruption, but evidence of how these approaches actually reduce corruption and contribute to other development outcomes and, equally importantly, the role of contextual factors that may enable or constrain the effectiveness of these reforms has lagged. With the support of a major grant from the BHP Foundation, Senior Fellow Norman Eisen has launched a five-year effort, Leveraging Transparency to Reduce Corruption (LTRC), to establish and promote evidence-informed leading practices in TAP mechanisms along the natural resource value chain.

As part of this work, Eisen—who previously served as special assistant to the president for ethics and government reform and later as U.S. Ambassador to the Czech Republic—is building a rigorous evidence base identifying natural resource sector transparency, accountability, and participation incentives that have contributed effectively to reducing corruption and advancing other sustainable development outcomes. With this evidence in place, the LTRC team will work with a range of stakeholders, including governments and transparency innovators around the globe, to determine what approaches are most effective at reducing corruption. The data generated and compiled during the course of this project will be in the public domain so that it is available to stakeholders and citizens alike to analyze and interpret.

PHOTO: TLSD EVENT PHOTOGRAPHS



Medical marijuana patient Jennifer Collins (center) recounts her family's experience seeking access to cannabis to treat her epilepsy, the subject of a documentary short film from Brookings called *The Life She Deserves*, as her mother Beth Collins and Senior Fellow John Hudak listen

LIBERAL DEMOCRACY AMID RISING POPULISM

The election of Donald Trump laid bare a populist backlash to the uneven economic recovery from the Great Recession, the growing divide between rural and urban America, and the inadequacy of governing institutions to address the anxieties and challenges of large swaths of the country. Rising populism is a wake-up call to those who thought the end of the Soviet Union ensured the perpetual success of liberal democracy. In his new book, *Anti-Pluralism: The Populist Threat to Liberal Democracy*, Senior Fellow and Ezra K. Zilkha Chair William Galston explores whether today's populism is a real threat to liberal democracy itself or simply a corrective to increasing inequality that favors elites.

In the book, Galston outlines a set of principles for leaders to employ to mitigate the crisis, including fostering inclusive economic growth and addressing fraught social and cultural issues, such as anxiety about changing demographics. He concludes that even if policy reforms are able to stem the populist tide, liberal democracy will never satisfy every citizen, so we need committed citizens and their leaders to preserve democratic government.

Senior Fellow E.J. Dionne, Jr., the W. Averell Harriman Chair, discusses information warfare in an age of disruption



PHOTO: PAUL MORIGI

Former Governor Terry McAuliffe (D-VA) makes the case for criminal justice reform and examines possible alternatives to the current system

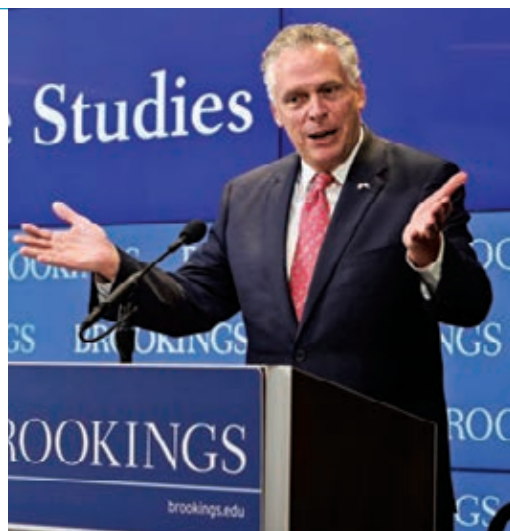


PHOTO: PAUL MORIGI

Governance Studies Experts in the Media

Given the unique nature of the current moment in American politics and governance, the expertise of Governance Studies scholars has never been more sought after nor more pervasive. Scholars use every available outlet—from Twitter and podcasts to radio, newspapers, and cable broadcasts—to share their knowledge and analysis. Several Governance Studies scholars are regular contributors to top-tier print, radio, and broadcast outlets that reach broad audiences and allow the scholars to drive the national dialogue on critical issues.

Senior Fellow Norman Eisen is a political commentator for CNN and publishes op-eds in many major news outlets on a weekly basis. Senior Fellow and Editor-in-Chief of *Lawfare* Benjamin Wittes is a frequent contributor to MSNBC on legal and national security issues while Fellow and *Lawfare* Executive Editor Susan Hennessey is a National Security and Legal Analyst for CNN.

E.J. Dionne, Jr., who holds the W. Averell Harriman Chair, writes a syndicated column for the *Washington Post* and appears weekly on *NPR Fridays* and regularly on MSNBC. William Galston's weekly column in the *Wall Street Journal* covers a range of political issues, and Jonathan Rauch is a contributing editor of *The Atlantic*. Other scholars routinely author op-eds and articles for external publications and are frequently interviewed and cited by the news media. Fellow Molly Reynolds, for example, has become a go-to source of insight into Congressional rules and procedure in an era of confounding gridlock, frequently fielding interview requests and invitations to contribute op-eds to leading publications including *The New York Times* and *The Washington Post*.

IMMIGRATION REFORM IN A HIGHLY CHARGED ATMOSPHERE

The public debate over immigration reform in the United States has become increasingly heated. From calls to limit legal immigration to aggressive deportation policies implemented by ICE to family separation of asylum-seekers, as well as continued support for a border wall, the Trump administration has taken a hard line on who is allowed to enter the country and under what circumstances. Throughout the escalating debates, Brookings experts have weighed in on a range of immigration challenges, analyzing impacts, explaining root causes, and proposing solutions.

Among the Trump administration's controversial moves was the decision to rescind President Obama's Deferred Action for Childhood Arrivals (DACA) executive order, which put thousands of young immigrants at risk of deportation. Senior Fellows John Hudak and Elaine Kamarck wrote a FixGov blog post on the human and financial costs of following through on removing "Dreamers" from the country, both in forgone tax revenue and costs of enforcement. Hudak also wrote about the risks of the Trump administration's plan to hire 5,000 new border patrol officers. Although these policies are well received by much of the president's base, Senior Fellow William Galston provided a sobering analysis of polling data on voter attitudes toward the plans for immigration, which showed that large swaths of the electorate were vehemently opposed to the president's proposals.

PHOTO: PAUL MORIGI



Senior Fellow and Director of the Race, Prosperity, and Inclusion Initiative Camille Busette leads a conversation on race, class, and culture with Harvard Professor William Julius Wilson (center) and J.D. Vance, author of *Hillbilly Elegy*

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Building an Inclusive Digital Economy

PHOTO: PAUL MORIGI

Vice President and Director of the Metropolitan Policy Program Amy Liu and Senior Fellow and Policy Director Mark Muro speak with Robin LaChapelle, Vice President of Human Resources at MedImmune (from right), ahead of a panel discussion on the digitalization of the American workforce

Globalization and rapid technological advancement have ensured that companies and workers are more productive and people's lives are convenient. However, these same forces are rendering various skills and business models obsolete, leading to a series of troublesome impacts and growing inequalities. The ineluctable march of technology has reshaped opportunity for many, even as it exposes and dramatically deepens fissures by income, place, and race, which requires public and private sector leaders to reimagine pathways to economic success. Experts in the Metropolitan Policy Program (Brookings Metro) are helping city and regional leaders marry the promise of new technologies and a diverse workforce to foster inclusive innovation and expand opportunities for more people in more places. Metro scholars are at the forefront of delivering innovative research and solutions that help local leaders build an advanced economy that works for all: improving innovation and business dynamism, skills and worker supports, and infrastructure and placemaking.

THE DEMAND FOR DIGITAL SKILLS IN THE MODERN WORKPLACE

Shares of U.S. jobs that require substantial digital knowledge have risen rapidly over the last decade. Workers of every stripe—from corporate finance officers to utility workers and nurses—are now spending sizable portions of their workdays routinely using a computer or applying technical knowledge to keep pace with the demands of the digital economy. To track the progress of digitalization and its impact on national and regional economies, Senior Fellow and Policy Director Mark Muro studied changes in the digital skills content of more than 500 occupations representing 90 percent of the U.S. workforce across all industries. His report, *Digitalization and the American Workforce*, finds that metropolitan area

PHOTO: PAUL MORIGI



Fellow Adie Tomer makes introductory remarks at an event on building inclusive infrastructure

digitalization is ubiquitous, but uneven. Because digital technologies amplify the impact of some types of human labor while devaluing other work, they are inordinately benefiting some workers and places while marginalizing others. Muro provides several prescriptions to remedy the uneven impacts of digital tech on the labor market, including the expansion of “high skills”—IT education and training—and “soft skills”—adaptability, curiosity, and social intelligence, particularly among underrepresented groups.

A HIGHLY DIVERSE MILLENNIAL GENERATION

Millennials, over 75 million strong and nearly a quarter of the U.S. population, comprise the largest and most racially diverse generation in American history. Often categorized as the first generation to fully embrace social media, millennials are more socially liberal in favoring abortion rights, same-sex marriage, interracial marriage, and marijuana legalization. Beyond the differences on social conventions and attitudes among millennials and older generations lies a more fundamental cultural gap, one that is distinctly linked to their diverse racial and ethnic makeup. This generation is uniquely positioned to serve as a demographic link to America’s minority white future by helping to alleviate racial and cultural tensions that are currently dividing the nation.

Senior Fellow and demographer William Frey examines the demographic makeup of millennials across the nation’s 100 largest metropolitan areas and all 50 states in his report *The Millennial Generation: A Demographic Bridge to America’s Diverse Future*. He delivers a comprehensive comparison between generations at the same stage of life and assesses how different segments of the millennial population are faring in terms of homeownership, marriage, educational attainment, and levels of poverty. Interestingly, the study revealed that the generational divide is not entirely due to racial and ethnic composition. In fact, many white millennials embrace the idea of a more diverse America and continue to vote for the politicians who mirror this vision.

Cities as Centers of Trade and Global Economy

The concentration of economic growth and prosperity in cities and metros continues to define the modern global economy, creating both opportunities and challenges in an era when national, political, economic, and societal trends are increasingly influenced by subnational dynamics. Understanding the economic trajectory of global metros offers insights into the sources of growth that national or regional assessments often bypass. Metro experts, led by Senior Fellow Joseph Parilla, examined the employment and GDP per capita growth of 300 large metro areas in the *2018 Global Metro Monitor*. Reaffirming the economic power of large cities in the global economy, the *Global Metro Monitor* reveals significant variation in urban economic progress. While metros continue to concentrate growth, the locus of growth and productivity continues to shift as U.S. and EU metros stagnate while Asian and other developing economies continue to expand. Incredibly, China is now home to one-third of the world’s 300 largest metro areas.

Sabrina Siddiqi, political reporter for *The Guardian*, moderates a panel on the diversity of the millennial generation with Mildred García, President of the American Association of Colleges and Universities, Jasmine Hicks, National Field Director of Young Invincibles, and Minnesota State Representative Ilhan Omar (from left)



PHOTO CREDIT: SHARON FARMER

The Race for Amazon HQ2

Few issues have dominated American cities in the last year like the competition for Amazon's second headquarters (HQ2) and its promised 50,000 jobs and billions of dollars in investment. With its analysis and convening power, Metro has helped cities understand the potential benefits and challenges of HQ2 and has shaped a larger conversation around how cities can compete in a tech-driven economy.

To educate city leaders and the public, Metro produced analysis and commentary that has reached hundreds of thousands of people in cities across the country, hosted a live event in collaboration with CityLab, and engaged directly with local leaders. In an article in the *Harvard Business Review*, Vice President and Director Amy Liu and Senior Fellow and Policy Director Mark Muro outline the connection between Amazon's wish list and the determinants of a modern, competitive economy: a skilled workforce, national and global market access through modern infrastructure, connected placemaking, and a diverse and inclusive population. At the same time, Metro has educated leaders on the potential downsides of winning the new headquarters, including impacts on housing affordability, racial and income divides, and the costs of significant tax incentives packages.

PHOTO: SHARON FARMER



City Lab Staff Writer Kriston Capps moderates a discussion about what Amazon HQ2 means for cities with Byte Back Executive Director Elizabeth Lindsey, Nonresident Senior Fellow Brad McDearman, and Patrick McKenna, Managing Partner of HighRidge Venture Partners and Founder of One America Works (from left)

PHOTO: SHARON FARMER



Rodney Sampson, Chairman and CEO of the Opportunity Hub, takes an audience question during a panel discussion on advancing opportunity for black collegians in technology and business that also included Jeff Mazur, Executive Director of LaunchCode, and Sherrell Dorsey, founder of ThePLUGDaily.com

A ROADMAP FOR AMERICA'S OLDER INDUSTRIAL CITIES

Structural shifts in the global economy have resulted in sharp regional divergence in the nation, as coastal technology hubs thrive and the older industrial cities of the Midwest and Northeast struggle to grow jobs and boost employment and income. Recognizing that the middling performance of these communities with historically strong manufacturing cores is a key feature of America's uneven growth, Senior Fellow and Deputy Director Alan Berube provides an in-depth analysis of the considerable assets and distinct challenges of 70 older industrial cities in his report, *Renewing America's Economic Promise through Older Industrial Cities*.

Home to a racially diverse working class, older industrial cities possess the innovation, knowledge, and infrastructure assets that make them critical focal points for narrowing America's growing societal and political divides. These cities have significant assets, including their highly urbanized geographies, an out-sized presence of research universities that attract federal funding for scientific research, and STEM-trained workforces. Berube suggests that bottom-up efforts to better leverage their advantages, and address their disadvantages, can help achieve improved growth, prosperity and inclusion. He develops a typology based on medium-run economic performance—strong, emerging, stabilizing, and vulnerable—to better understand their economic starting places amid technological change, increasing urbanization, and demographic transformation.

PHOTO: SHARON FARMER



David M. Rubenstein
Fellow Andre Perry
discusses ways to
advance opportunity
in technology and
business for black
collegians

PHOTO: PAUL MORIGI



Representative
Garrett Graves
(R-LA) explains
the importance
of water
resources and
infrastructure
in Louisiana

"I can say with 100% certainty that the Inclusive Growth process/project with Brookings has completely changed our community's approach to economic, community and workforce development."

— MARK FISHER, CHIEF POLICY OFFICER AT INDY CHAMBER

TRACKING INCLUSIVE ECONOMIC GROWTH ACROSS THE COUNTRY

While many national indicators point toward a booming economy, they do not tell the whole story. Progress on building an inclusive economy has remained uneven, and divides are growing between regions, sectors, and economic classes. This year's iteration of the annual *Metro Monitor* tracked the economic success of the nation's 100 largest metropolitan areas along three broad categories—growth, prosperity, and inclusion—finding considerable variation in how different metro areas fared in 2016. Key findings reveal that while growth was widespread and economic inclusion increased among large metropolitan areas, only 11 metros showed progress across all three indicators. These findings suggest that underneath the nation's headline growth, metro areas are confronting structural challenges that require leaders to undertake systemic reforms to ensure more workers are benefiting from economic growth.

Shared Prosperity Partnership

Thanks to the vision and support of the Kresge Foundation, four national organizations have partnered to convene local leaders in select communities across the U.S. to discuss ways to bolster inclusive economic growth. The Shared Prosperity Partnership, a collaboration of the Kresge Foundation, Brookings Metro, the Urban Institute, and Living Cities, seeks to accelerate local efforts towards inclusive growth by adding resources and connecting local leadership with national practitioners and researchers. As Washington continues to cut federal spending for programs and services, metro areas will need to enact new strategies and employ additional resources to close the gaps. The Partnership will advance scaled solutions and promising models to spark dialogue among practitioners and support policy reforms at the state and national levels.

PHOTO: PAUL MORIGI



Mayor Randall Woodfin describes Birmingham, Alabama's efforts to build an inclusive city

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 A photograph showing Brookings President John R. Allen on the left, wearing a dark suit, shaking hands with Joe Biden on the right, who is wearing a blue suit and sunglasses. They are in a well-lit hallway with large windows. In the background, several other people are visible, some standing and some walking. A potted plant is also visible near the center.

Bringing Multidisciplinary Solutions to the Biggest Challenges

PHOTO: PAUL MORIGI

Brookings President John R. Allen welcomes former Vice President of the United States Joe Biden (right) to a forum on the future of the middle class that was co-hosted by Brookings and the Biden Foundation

One of Brookings's great strengths is the breadth and depth in our scholar ranks. Brookings economists, social scientists, political scientists, foreign policy experts, and other scholars enable the Institution to take on a wide range of issues, proposing tangible policy solutions rooted in rigorous scholarship. Some challenges are so large that addressing them in a comprehensive way requires a broader approach that draws on multiple areas of expertise across our five research programs.

Brookings Institution President John R. Allen has identified three Presidential Research Priorities for his scholarship and resources: the future of the global middle class, the rise of artificial intelligence and emerging technology, and the evolution of American leadership in the 21st century. These research priorities were identified in part because together they will impact nearly every person on the planet. Brookings will bring our comparative advantage—the quality, independence, and impact of our scholarship—to identify challenges and opportunities in each of these fields and develop concrete policy proposals in each priority.

THE FUTURE OF THE GLOBAL MIDDLE CLASS

The American middle class faces an uncertain future. In the aftermath of World War II, broadly shared prosperity enabled families to pursue the American Dream of rising living standards, home ownership, and quality jobs for workers of all education levels. But fundamental shifts in the economy have undercut the stability of the middle class and called into question whether they can still aspire to upward mobility.

As the wealthiest households flourish thanks to their plentiful human capital and the investments they are able to make in the next generation, those in the middle- and lower-middle class are increasingly hard-pressed to climb the income ladder. And for communities of color, upward mobility is especially elusive, with disparities in education quality and access to jobs compounding the challenges faced by all middle class families.



Vice President and Director of Governance Studies Darrell West (right) leads a panel on the future of work in an era of robots and artificial intelligence that included Verity Harding, Co-Lead for Ethics and Society at DeepMind

Looking forward, the American middle class faces continued challenges from current trends, as well as new and emerging challenges in the form of automation, housing affordability, and skills training, as well as a close look at how relationships and respect affect mobility. Policies intended to protect the middle class, such as restrictions on trade and immigration, may or may not have the desired effect for the domestic middle class—but they will almost certainly alter the global economic order.

Under the leadership of Senior Fellow and Co-Director of the Center on Children and Families Richard Reeves, the Future of the Middle Class Initiative will draw on scholars from across Brookings to address the fundamental questions of why this is happening and what policies are most likely to improve the circumstances and prospects of the American middle class. Major research themes will include critical trends from global trade to the future of work to skills training and education to social and cultural factors that inhibit or promote economic mobility. The Initiative will develop policy recommendations that address these challenges.

Brookings will also continue our work on the global middle class, which is led by Interim Vice President and Director of Global Economy and Development Homi Kharas. This effort builds on research he began in 2010 that defines the global middle class as those households that spend \$11-110 per day per person in 2011 purchasing power parity (PPP). In September 2018, Kharas co-authored a piece with Kristofer Hamel, World Data Lab's Chief Operating Officer, called "A global tipping point: Half the world is now middle class or wealthier." They estimated that today, some 3.8 billion people live in households with enough discretionary expenditure to be considered "middle class" or "rich." The two authors also drew from an interactive World Data Lab model that shows that, today, about one person escapes extreme poverty every second, but five people per second are entering the middle class. The rich are growing too, but at a far smaller rate (1 person every 2 seconds).

These are important trends for policymakers to heed, because the middle class puts pressure on governments to perform better. They expect affordable housing, education, and universal health care, and they rely on public safety nets to help them in sickness, unemployment, or old age. But they resist efforts of governments to impose taxes to pay the bills. This complicates the politics of middle-class societies, as governments struggle to find a set of policies that can satisfy a broad middle-class majority. Brookings's work in this area will continue to monitor the trajectory of the global middle class and illuminate the policy tradeoffs presented by its continued growth.



Senior Fellow and Co-Director of the Center on Children and Families Richard Reeves is the Director of the Future of the Middle Class Initiative

"I want to start off by saying at the Biden Institute we're delighted that Brookings has taken up the mantle, and they have all along, to deal with the middle class...The Future of the Middle Class is a critical new venture here at Brookings."

– VICE PRESIDENT JOE BIDEN

ARTIFICIAL INTELLIGENCE AND EMERGING TECHNOLOGIES

Artificial intelligence (AI) will be the most transformative technology of the 21st century, and is already fundamentally altering not just the way we live day to day, but the very modes of policymaking. Most think tanks and academic institutions operate under the assumption that governance is a function of political institutions; yet today, the technology sector can exert nearly as much influence on societies as the political systems that govern them. AI has effectively imposed a kind of governance layer over nearly every policy domain, one that is baked into code far upstream from the traditional policymaking process. From healthcare and education to finance and national security, governance is no longer just the function of political institutions: it is now written into the code underlying each new algorithm and protocol.

As emerging and new technologies such as artificial intelligence, blockchains, quantum computing, and gene editing transform the nature of governance, a profound disconnect has emerged between policymakers and the technology sector. Given the overall importance of AI and other emerging technologies, there is a critical need for improving mutual understanding between Washington and Silicon Valley. Policymakers and the public must understand how these technologies and the companies that create them operate, what the potential ramifications are, and how we can gain benefits while minimizing detrimental consequences. In turn, the tech community can benefit from Brookings's unique policy expertise and convening power to better understand how Washington approaches these issues.

Brookings is approaching AI scholarship with experts from all five research programs, including the work of the Center for Technology Innovation led by Vice President and Director of Governance Studies Darrell West. Brookings scholars are exploring how AI and emerging technologies will impact jobs, productivity, and economic growth; examine algorithmic bias and ways to eliminate it; identify what emerging technologies can do to improve social and economic inclusion; explore AI impacts on the energy sector; continue research into the role of AI and other technologies in developing smart cities and improving the delivery of municipal services; and study how emerging technologies are affecting great power relations and military strategy, and how they can be deployed to detect political violence, extremism, and terrorist activities. With the policy challenges of tomorrow being written into the protocols and codebases of today, Brookings will be able to speak credibly about both the policies and the technologies underlying each new platform and product.

AMERICAN LEADERSHIP IN THE 21ST CENTURY

The third Presidential Research Priority focuses on how the post-World War II model of American leadership should evolve to meet 21st century threats, challenges, and opportunities. The accelerating pace of geopolitical competition, technological change, and debate about America's role in the world demands that we intensify our efforts, building on the deep foundation of work undertaken by Brookings scholars. From international trade to human rights, from climate change to the evolution of warfare, from our relations with rising powers like China to affirming and adapting longstanding alliances in NATO and beyond, Brookings scholars will provide guidance on how American leadership can advance progress. Scholars will also examine American leadership in multilateral fora, including the World Bank, the United Nations, and the WTO, both studying the American roles in these bodies and deepening Brookings's relationships with them to strengthen our scholarship and increase our impact. This research priority is deliberately designed as "American" leadership as opposed to "U.S.," to encompass both the U.S. government and the range of American leadership in civil society, technology companies, and multilateral institutions—even including think tanks like Brookings.

PHOTO: PAUL MORIGI



Stephen & Barbara Friedman Senior Fellow
Robert Kagan has written extensively about
America's role in the world

Brookings Beyond the Beltway

PHOTO: ZACHARY BALIN, BROOKINGS INSTITUTION

Brookings's location in Washington is a critical part of how we achieve impact. National and world leaders convene at Brookings when they visit the capital. Congressional and executive branch staff can easily attend our public events on a range of topics and avail themselves of our scholarly expertise. Brookings scholars are able to testify on Capitol Hill on short notice and there is no shortage of national and global media to disseminate their analysis. As important as it is to be in Washington to advance our mission, Brookings strives to contribute to a larger conversation taking place across the country and across the world. To accomplish this, Brookings brings programming and scholarship outside the Beltway to engage new audiences in our experts' work.

BROOKINGS DEBATES AMERICA'S CHANGING ROLE IN THE WORLD

The Brookings Foreign Policy program, in conjunction with the Charles Koch Institute, launched a nationwide debate series to examine different aspects of America's role in the world. The debates brought together experts from Brookings and other organizations for vigorous, civil, and constructive discussion on the future of American foreign policy. By convening these events in cities across the country, Brookings brings new audiences into the national conversation about where America is going and its relationships with other nations.

The series kicked off in St. Louis with a conversation focused on overarching questions of American leadership and areas like trade and NATO expansion. The second in the series took place in Las Vegas and focused on what kind of military the United States needs to confront current and future threats, how the U.S. military should be postured at home and around the globe, and the scope for greater burden-sharing between the United States and its allies. The third

Brookings President John R. Allen (left) speaks with Sichuan Province Vice Governor Zhu Hexin about urban development during the Brookings China Council Study Tour of Chengdu

Nader Kabbani, Director of Research at the Brookings Doha Center, Hatem al-Shanfari, Professor of Economics and Finance at Sultan Qabus University, and Brookings Fellow Samantha Gross (from right) discuss the challenges of economic diversification in the GCC



PHOTO: BROOKINGS DOHA CENTER

The Life She Deserves

The Life She Deserves is a documentary short film from Brookings that portrays Jennifer Collins and her family's struggle to find a treatment to control her debilitating epilepsy. Because her legal pharmaceutical treatments cause severe side effects, Jennifer and her mother moved across the country to Colorado, where they could access medical marijuana. The therapy provided relief, but left the family facing the stigma and legal uncertainty that surround the use of medical cannabis. On April 18, *Variety* and Brookings hosted a screening of *The Life She Deserves* in California, followed by a discussion on the role of film to affect policy and the current picture of state-level marijuana legalization and federal restrictions on the use of and clinical research into medical marijuana.

PHOTO: TLSD EVENT PHOTOGRAPHS



Jennifer Collins (left), an epilepsy patient who is the subject of a Brookings documentary short film, with Creative Director George Burroughs, who directed the film, at a screening and panel discussion about the film in West Hollywood

debate was held in Atlanta, where the topic was the future of the transatlantic diplomatic, military, and economic relationship and how America and European nations can partner on global issues. The next debate, in Dallas, was on American interests in a globalized world, the role of values in U.S. foreign policy, and how the United States should focus its diplomatic, military, and economic engagement in the 21st century. The fifth debate was in Seattle and the subject was the future of U.S.-China relations, American interests in the Asia-Pacific, and how the United States should engage diplomatically, militarily, and economically in East Asia in the 21st century. The final debate in the series was in Detroit and focused on globalization and the American worker.

BROOKINGS DOHA CENTER

The Brookings Doha Center (BDC) was established in 2008 to serve as a hub for Brookings research in the Middle East. Led by Center Director Tarik Yousef, the BDC undertakes field-oriented research and programming that addresses and informs regional and international policy discussions, engaging key elements of governments, businesses, civil society, the media, and academia on international relations in the Middle East, regional security and domestic stability, inclusive economic growth, and governance reform. BDC's activities this year included research and publications on topics such as Egypt's IMF program, sustaining the GCC currency pegs, Islamists parties in North Africa, Syrian civil society and transitional justice, and India-Iran relations, among others.

BROOKINGS-TSINGHUA CENTER

Founded in October 2006, the Brookings-Tsinghua Center for Public Policy (BTC) is a partnership between the Brookings Institution in Washington and China's Tsinghua University. BTC produces high quality, high impact policy research on issues related to China's development and U.S.-China relations, hosts visiting researchers, and holds seminars, panels and conferences that bring together leading policy experts and officials from China and abroad. Its areas of focus include China's economic transformation, urbanization, and energy.



Chairman of
Brookings India
Vikram Mehta

BROOKINGS INDIA CENTER

The Brookings India Center serves as a platform for cutting-edge, independent, policy-relevant research and analysis on the opportunities and challenges facing India and the world. Established in 2013, the Center is based in New Delhi and led by Chairman Vikram Singh Mehta. The Brookings India Center's research agenda this year focused on issues like India's place in a rapidly evolving international system, its relations with the U.S. and China, energy policy, financial sector reforms, and monetary policy. In addition to a prolific publishing record, the Brookings India Center convenes frequent events on critical issues such as trade diplomacy, renewable energy, India's middle class, public health, defense reforms, and the economy.

Washington University in St. Louis

For the last ten years, the Brookings Institution has partnered with Washington University in St. Louis Olin School of Business to present the Brookings Executive Education (BEE) program. Robert S. Brookings, who founded the organizations that combined to become the Brookings Institution, was president of the Board of Trustees of Washington University for 33 years, so bringing these two institutions together offers a historical symmetry that reflects his deep commitment to both public

service and education. BEE offers certificates in public leadership and in policy strategy, as well as a Master of Science in Leadership. BEE's course catalogue includes offerings on communications, leadership, legislation and regulations, finance, and ethics, along with topical sessions on national security, the Middle East, the Americas, and the federal budget process. BEE's two core courses are Inside Congress and Inside the White House, which give students important insight into how Washington works.

Brookings Mountain West

Brookings continued its highly successful Brookings Mountain West partnership with the University of Nevada, Las Vegas, now in its ninth year. Brookings Mountain West brings high-quality, independent, and impactful research to the issues facing the dynamic and fast-growing Intermountain West region. The central activity of the Brookings Mountain West program is a series of week-long residencies by Brookings scholars at UNLV during which they meet with students and faculty, engage with local media and the community, and deliver public lectures on a range of topics.

This year, Brookings experts speaking at UNLV included Fellow Jonathan Rauch on alt-truth in the era of Trump, Nonresident Senior Fellow Jonathan Pollack on the United States' Asia-Pacific strategy, Fellow Samantha Gross on the Paris Climate Agreement, and David M. Rubenstein Fellow Dany Bahar on economic diversification as a driver of growth. In the second semester, Senior Fellow and Co-Director of the Center on Children and Families Ron Haskins talked about his work on evidence-based policymaking in the Obama Administration, Senior Fellow William Frey shared his research on America's diverse future, Senior Fellow and the other Co-Director of the Center on Children and Families Richard Reeves lectured on upward mobility in the Mountain West, Fellow Martha Ross discussed challenges facing youth in the labor market, and Fellow Molly Reynolds rounded out the academic year with a lecture on the politics of Republican governors.



David M. Rubenstein Fellow Dany Bahar lectured at the University of Nevada, Las Vegas on the role of diversification on economic growth



Navigating a Shifting Geopolitical Landscape

PHOTO: PAUL MORIGI

The Iran team debates its next move in the International Advisory Council's simulation of a missile crisis in the Middle East

Since its founding in 2006, the Brookings International Advisory Council has brought a critical global perspective to Brookings's work and helped advance our position as a truly world-wide think tank. With 30 members from 22 countries, the International Advisory Council is an important part of the Brookings family. The centerpiece of the Council's engagement with Brookings is its annual meeting, which convenes in early June. The meeting features Brookings scholars, senior policymakers, and civil society leaders in conversation with the Council on the most urgent security, economic, and social issues of the day. Throughout the year, members remain connected to Brookings via private conference calls, tailored newsletters, and briefings with scholars.

The 2018 annual meeting came at a time of great threats to the international order, from the global trading system to the security architecture that has been in place since the end of World War II. During the three days of the meeting, the International Advisory Council explored the challenges of rapid technological change and the development of artificial intelligence that are bringing new insecurity to workers. They also looked at foreign interference in U.S. elections, the direction of trade policy, and productivity, as well as prospects for U.S. negotiations with North Korea. Building on a successful crisis simulation in 2017, this year the Council tested their negotiating skills in country teams responding to a missile attack in the Middle East.

Looking ahead to the coming year, Brookings will continue to engage with the International Advisory Council, both in their home countries and in Washington, on the most important challenges facing decision-makers in government and the private sector. We are grateful for their support and leadership.

PHOTO: PAUL MORIGI



Brookings Trustee and Co-Chair of the International Advisory Council Paul Desmarais, Jr.

The International Advisory Council at Villa Firenze, the residence of Italy's Ambassador to the United States, Armando Varricchio



PHOTO: PAUL MORIGI

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Brookings Trustee and Co-Chair of the International Advisory Council
Antoine van Agtmael

PHOTO: PAUL MORIGI



International Advisory Council member
Jaime Montealegre

PHOTO: PAUL MORIGI



International Advisory Council member Kihak Sung and Fellow Natan Sachs, Director of the Center for Middle East Policy (from left)

PHOTO: PAUL MORIGI

Building a Financial Foundation for Independent Research

PHOTO: PAUL MORIGI

Trustees Art Collins (left) and Pete Higgins, Chair and Vice Chair, respectively, of the Development Committee

Brookings is grateful to all who support our work and our commitment to quality, independence, and impact. Research by Brookings experts across a broad spectrum of policy issues plays an essential role in improving governance. The work described in the preceding pages contributes in important ways to a safer, more secure and prosperous world. Successfully pursuing this comprehensive research agenda and disseminating the resulting recommendations and analysis for maximum impact requires significant resources. The generous donors who support Brookings—individuals, corporations, foundations, and others—provide these resources through contributions or grants to specific projects, individual research programs and centers, endowment, and critical general support for the Institution. Taken together, these gifts make it possible for Brookings to achieve its mission.

ENGAGEMENT WITH BROOKINGS

The Brookings Council, our core group of unrestricted donors to the Institution, and the Robert S. Brookings Society, emerging leaders who recognize the importance of understanding policy issues, are vital parts of the Brookings family. Support from these two groups provides the financial foundation on which Brookings's work is built. Contributors such as these enable Brookings to respond nimbly when sudden events demand urgent analysis and immediate policy action, before dedicated funding can be raised from other sources. They also support the communications capacity that ensures that Brookings research is disseminated widely to the public, media, and policymakers, and the administrative and operational infrastructure that enables the Institution's experts to conduct their research effectively and efficiently. In a time when new developments can transform the public debate in a matter of moments, having a solid base of resources that enables Brookings to adapt quickly is critical to our success.

PHOTO: GR PRODUCTIONS



Trustee Ezra Zilkha



Trustee Jason Cummins and his wife Ashley Cummins with Trustee Sara Lewis (from left)

Over the course of the year, Council and Society members engage in robust policy discussions with Brookings scholars, sharing their experiences in the private sector, helping ground the research and analysis and stimulate new thinking. This year, Brookings convened the first Council-Society Summit, a full day of policy discussions that also included a meeting with the Institution's senior leadership (see box on page 38).

The Brookings Society convened several times in Washington, New York, Boston, and on the West Coast for conversations with top Brookings experts. As part of their calendar of events, the Society met with Senior Fellow and Director of the Hutchins Center on Fiscal and Monetary Policy David Wessel for a look at economic policy in the second year of the Trump Administration and with Metropolitan Policy Program Fellow Adie Tomer on the future of transportation in smart cities.



Senior Fellow and Director of the Center on the United States and Europe Thomas Wright (left) and Jon Finan, former Chief of Staff and Director of Policy Planning at the State Department, at the annual Brookings-by-the-Sea event in the Hamptons

Development Office Welcomes New Leadership

In February 2018, Greg McGovern was named Brookings's new Vice President of Development. He previously served as Deputy Director for Economic Studies at Brookings, where he assisted the program's Vice President and Director in co-managing the program and its leadership team, in addition to overseeing the program's fundraising initiatives. In his new role, Greg leads the Institution's fundraising efforts and serves as a strategic advisor to President John R. Allen.

Prior to joining Brookings, Greg led strategic, management and fundraising initiatives for several nonprofit organizations in the fields of human rights, the arts, and health care. He also has an extensive background in nonprofit program development, implementation, and evaluation. Greg is a Certified Fund Raising Executive (CFRE). He holds a M.S. in Nonprofit Management from Columbia University and a B.F.A. from The Theatre School at DePaul University. He is a member of the national and DC-chapters of the Association of Fundraising Professionals. Greg also serves on the Advisory Board of The Flawless Foundation and as a board member and treasurer for Miracle on 22nd Street.



Trustees William Haseltine (left) and Arne Sorenson, Chair of the Budget and Finance Committee

New Resources for the Future of the Middle Class Initiative

As the new president of Brookings, John R. Allen established the Future of the Middle Class Initiative as a Presidential Research Priority. Under the leadership of Senior Fellow and Co-Director of the Center on Children and Families Richard Reeves, the Initiative will draw on expertise from across Brookings programs to examine the multifaceted challenges facing the middle class. Brookings was able to launch this innovative, multidisciplinary effort quickly and effectively thanks in large part to a substantial investment by Betsy Z. Cohen, a Brookings Trustee and founder and strategic advisor at the Bancorp, Inc.

When she made the gift, Cohen's generous contribution to Brookings was directed to support cross-program research efforts at Brookings, a priority for her since she joined the Board in 2014. The Future of the Middle Class Initiative presented the ideal intersection between her goals of fostering Institution-wide collaboration and the complex societal challenge of a struggling middle class. Cohen's support helped enable Reeves and his colleagues to begin developing a comprehensive policy response to the many dimensions of the middle class experience, from a changing employment picture to social policy to housing.

Over the next four years, the resources provided by Cohen's gift will help support a range of research and outreach activities, including the signature *Middle Class Memos*, in which Brookings experts and occasional outside guests examine the past, present, and future of the American middle class.



PHOTO: PAUL MORIGI

Senior Fellow and Director of the Future of the Middle Class Initiative Richard V. Reeves with Vice President and Director of Governance Studies Darrell West and Trustee Betsy Z. Cohen (from left)

PHOTO: PAUL MORIGI



Special Assistant to the President and Senior Director for European and Russian Affairs Fiona Hill, who is on leave from Brookings, and Trustee Howard Cox (right)

The Brookings Council's calendar included breakfasts and lunches with Brookings experts in New York, Washington, Boston, San Francisco, Palo Alto, and Seattle. They had the chance to sit down with Brookings President John R. Allen for a conversation on America's role in a changing world and with Senior Fellow and Director of the Center for Universal Education Rebecca Winthrop on innovations in education. The Council also met with, among others, Vice President of Foreign Policy Bruce Jones for a discussion of shifting geopolitics and with Vice President of Governance Studies Darrell West, who talked about the future of work amid rapid advances in artificial intelligence, robots, and automation.

The Brookings Council and Society also had the opportunity to join in conference calls with Brookings experts, which enable members of both groups from across the country to engage in timely discussions. This year, Senior Fellow John Hudak and Senior Fellow and the Director of the Race, Prosperity, and Inclusion Initiative Camille Busette gave a next-day analysis of President Trump's State of the Union address, and USC-Brookings Schaeffer Initiative for Health Policy Fellow Matthew Fiedler offered his views on the GOP's efforts to repeal the Affordable Care Act while debate was going on in Congress.

Trustees Tom Ramey and David Weinberg (standing)



PHOTO: PAUL MORIGI



Vice Chair of the Board Glenn Hutchins (left) and Brookings President John R. Allen

Brookings Welcomes Two New Trustees

Brookings elected two new Trustees to the Board in 2018. They join a distinguished group of business, community, and academic leaders who help govern the affairs of the Institution. The Board, which meets three times annually, directs the management of the Institution, approves the fields of scholarly investigation, and safeguards the independence of the Institution's work. Brookings warmly welcomes its newest members to the Board of Trustees.



PHOTO: SCOTT MONTGOMERY

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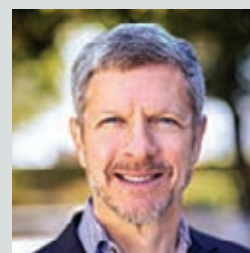


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Edgar Rios (left)
and Bea Welters



Trustees Bart Friedman,
Chair of the Audit
Committee, and
Victor Hymes,
Vice Chair of the
Budget and Finance
Committee (right)

PHOTO: PAUL MORIGI

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Trustee Ed Clark (left) and David M. Rubenstein
Fellow Dany Bahar

IMPACT FUNDS ADVANCE INSTITUTIONAL PRIORITIES

The launches of Brookings's new Presidential Research Priorities on the Future of the Global Middle Class, Artificial Intelligence and Emerging Technology, and American Leadership in the 21st Century make it necessary to raise new funds to support cross-cutting research, convening, and publications. Because these activities are happening across Brookings, drawing in experts from different research programs, it is important that funding is flexible enough to be applied where critical work is taking place. To answer this need, Brookings is creating special Impact Funds to support these priority initiatives.

The Impact Funds enable supporters to contribute to the broad goals of the initiatives in a way that allows President John R. Allen, the initiative directors, and affiliated scholars to undertake a variety of research, convening, and dissemination activities. These Funds complement project-specific gifts and grants that fund particular areas of work, ensuring that Brookings has sufficient resources to bring the breadth and depth of expertise that defines our approach to these complex issues. By building a broad and diverse funding base in support of these Institutional priorities, Brookings is able to deliver thoughtful analysis and practical policy recommendations to confront critical challenges.

PHOTO: PAUL MORIGI



Executive Vice President Ted Gayer with Trustees Philip Knight and Antoine van Agtmael (from left)

In Memoriam

Arjay Miller

Arjay Miller served on the Brookings Board of Trustees for 49 years. In 2001, he and his wife established the Arjay and Frances Fearing Miller Chair in Federal Economic



PHOTO: BROOKINGS INSTITUTION ARCHIVES

Policy in the Economic Studies program, which has been held by Senior Fellow William Gale since its creation. Following his service in the Air Force in World War II, Miller spent 23 years

with the Ford Motor Company, including five years as president. After leaving Ford, he served as dean and professor of management of the Stanford Graduate School of Business for ten years. In addition to serving on numerous corporate boards, Miller was a co-founder of the Public Policy Institute of California and was a fellow of the American Academy of Arts and Sciences, counselor of the Conference Board, life trustee of the Urban Institute, and director of SRI International.



PHOTO: PAUL MORIGI

Trustee David Rubenstein (right) and Lonnie Bunch, Director of the National Museum of African American History and Culture

PHOTO: PAUL MORIGI



Trustees Leonard Schaeffer (left) and Tracy Wolstencroft, Chair of the Nominations and Governance Committee

Brookings Council and Brookings Society Summit

Brookings convened the inaugural joint Brookings Council-Society Summit in 2018, bringing together the Institution's two key donor groups for a series of discussions under the theme of "The Age of Disruption." The Summit opened with a dinner conversation on disruption in the international order that included Senior Fellow and Deputy Director of Foreign Policy Suzanne Maloney, David M. Rubenstein Fellow Alina Polyakova, and Robert Bosch Senior Fellow Constanze Stelzenmüller, which was moderated by Senior Fellow Thomas Wright, director of the Center on the United States and Europe.

PHOTO: PAUL MORIGI



Brookings Society member Emi Kolawole

The next day featured sessions that proceeded on two parallel tracks to allow for smaller group discussions and more intimate interactions with Brookings experts. The first session focused on market disruption, with a domestic panel featuring Fellows Nicol Turner-Lee, Ryann Nunn, and Aaron Klein leading a conversation on a changing U.S. economy and an international panel on trends in global growth with Senior Fellows John McArthur, Eswar Prasad, and Rebecca Winthrop, who is also director of the Center for Universal Education.

PHOTO: PAUL MORIGI



Brookings Society Co-Chair Jonathan Robins and Brookings Council member Morris Clarke with Brookings President John R. Allen (from left)

The second set of conversations focused on disruptive politics, with one session on identity politics that included David M. Rubenstein Fellows Andre Perry and Makada Henry-Nickie and Fellow Vanessa Williamson and another on restoring normalcy to politics that included Senior Fellows John Hudak and William Galston, and Fellow Molly Reynolds. Participants in the two tracks came together for a stimulating lunch discussion that featured a keynote and Q&A session with Senior Fellow E.J. Dionne, who spoke on information warfare in the age of disruption. After lunch, the Brookings Council headed to the Pentagon for a site visit and remarks from Assistant to the Secretary of Defense for Public Affairs Dana W. White and Major General Frederick M. Padilla of the United States Marine Corps, while the Society had the chance to meet with Brookings's senior management, including President John R. Allen, to discuss the Society's important role in the Brookings family and the priorities and tactics for their engagement in the future.

PHOTO: PAUL MORIGI



Brookings Society member Emal Dusst (right) and Brookings Council member Barry Epstein



PHOTO: PAUL MORIGI

Brookings Council member Ned Powell

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Years Ended June 30, 2018 and 2017 (in thousands)
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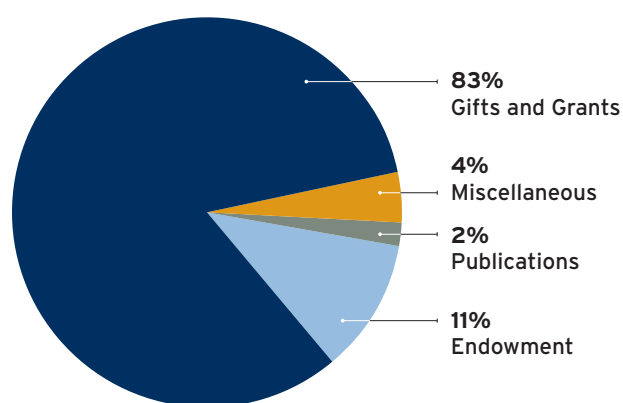
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	FY 2018 TOTAL	FY 2017 TOTAL
OPERATING ACTIVITIES					
Revenue and Support					
Investment return designated for operations	\$ 11,078	\$ 4,960	–	\$ 16,038	\$ 15,342
Grants, contracts, and contributions	8,033	55,943	1,421	65,397	96,843
Program services	555	–	–	555	420
Brookings Press	1,817	–	–	1,817	1,725
Facility and other revenue (net)	3,528	(287)	–	3,241	3,005
Net assets released from restrictions – Satisfaction of program restrictions	73,171	(73,171)	–	–	–
Total Operating Revenue	98,182	(12,555)	1,421	87,048	117,335
OPERATING EXPENSES					
Program Services					
Economic Studies	15,547	–	–	15,547	15,943
Foreign Policy	15,942	–	–	15,942	15,335
Global Economy and Development	11,757	–	–	11,757	12,105
Governance Studies	8,346	–	–	8,346	7,327
Metropolitan Policy Program	7,767	–	–	7,767	8,170
Institutional Initiatives	9,165	–	–	9,165	9,560
Brookings Press	2,221	–	–	2,221	2,545
Communications	1,886	–	–	1,886	2,157
Total Program Services	72,631	–	–	72,631	73,142
Supporting Services					
Management and General	21,707	–	–	21,707	21,254
Fundraising	3,251	–	–	3,251	3,590
Total Operating Expenses	97,589	–	–	97,589	97,986
Change in net assets before non-operating activities	593	(12,555)	1,421	(10,541)	19,349
NON-OPERATING ACTIVITIES					
Investment return in excess of amounts designated for operations					
Realized gain (loss) on sale of investments	22,470	603	–	23,073	8,299
Unrealized gain (loss) from investments	4,575	5,976	–	10,551	38,835
Interest and dividends, net	(3,218)	4,357	–	1,139	671
Investment return designated for operations	(11,078)	(4,960)	–	(16,038)	(15,342)
Total investment return (loss) in excess of amounts designated for operations	12,749	5,976	–	18,725	32,463
Change in net assets before post-retirement related changes	13,342	(6,579)	1,421	8,184	51,812
Post-retirement related changes other than net periodic post-retirement pension cost	112	–	–	112	367
CHANGE IN NET ASSETS	13,454	(6,579)	1,421	8,296	52,179
Net assets, Beginning of year	217,897	159,855	88,692	466,444	414,265
Net assets, End of year	\$ 231,351	\$ 153,276	\$ 90,113	\$ 474,740	\$ 466,444

STATEMENT OF FINANCIAL POSITION

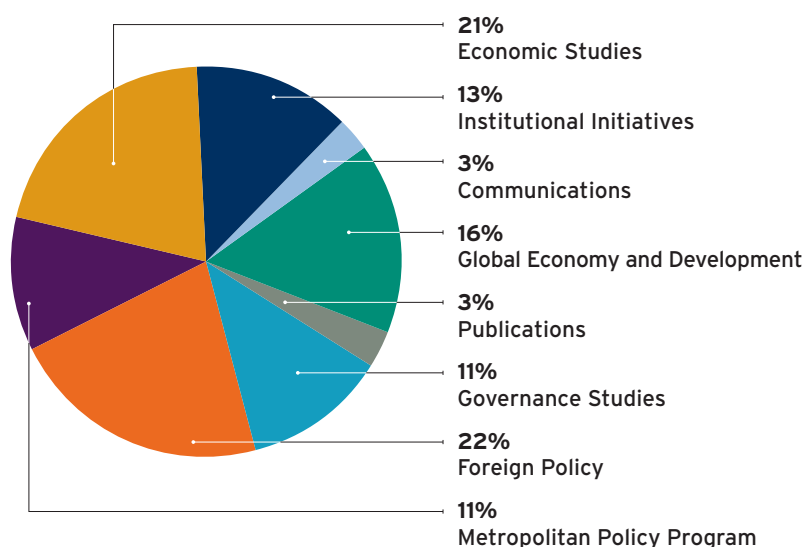
Years Ended June 30, 2018 and 2017 (in thousands)
Preliminary and Unaudited*

	2018 TOTAL	2017 TOTAL
ASSETS		
Cash and cash equivalents	\$ 29,587	\$ 25,067
Grants, contributions and accounts receivable, net	75,134	96,920
Investments – Endowment	372,666	346,419
Investments – Other	18,661	18,649
Property and equipment, net	32,388	34,924
Other assets	3,074	2,874
TOTAL ASSETS	531,510	524,853
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	5,332	5,946
Notes payable (net)	45,797	46,525
Accrued compensated leave	2,992	2,569
Accrued post-retirement benefit obligation	1,309	1,421
Deferred revenue	1,340	1,949
TOTAL LIABILITIES	56,770	58,409
NET ASSETS		
Unrestricted	231,351	217,897
Temporarily restricted	153,276	159,855
Permanently restricted	90,113	88,692
TOTAL NET ASSETS	474,740	466,444
TOTAL LIABILITIES AND NET ASSETS	\$ 531,510	\$ 524,853

OPERATING REVENUES



PROGRAM SERVICES EXPENSES



Notes:

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

BY THE NUMBERS

JULY 1, 2017 - JUNE 30, 2018

VIDEO/CREATIVE

58

creative videos produced

PODCASTS

2,166,643

downloads of the four Brookings Podcast Network shows and more than **3 million** downloads of Lawfare

MEDIA

679,541
media mentions

EVENTS

178 events attended by **20,784** people

SOCIAL

128 million people reached on Twitter and **88 million** people reached on Facebook

WEBSITE

36.8 million pageviews on brookings.edu, **20%** increase from FY17
25% growth among international audiences
27% increase among mobile users

PRESS

3 Brookings Press titles (books) featured in the *New York Times Book Review*
12% overall sales growth for both print and digital

BROOKINGS

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88.15
88.03
86.37
86.32
85.24
82.31
79.67
1,894.94





79.03

81.07

82.74

82.26

89.18

85.46

83.36

85.93

86.44

85.93

83.86

81.58

84.13

81.67

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87.20

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1,894.94