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The American Enterprise Institute sponsors original research on the world economy, U.S. foreign policy and international security, and domestic political and social issues. AEI is dedicated to preserving and strengthening the foundations of a free society—limited government, competitive private enterprise, vital cultural and political institutions, and vigilant defense—through rigorous inquiry, debate, and writing. The Institute is home to some of America’s most renowned economists, legal scholars, political and social scientists, and foreign policy specialists. AEI is an independent, nonpartisan organization financed by tax-deductible contributions from individuals, foundations, and corporations.
We write at a time when the American Enterprise Institute is thriving but America is not. The cascading financial crises of 2008 have produced great personal and institutional damage and a serious economic recession. The federal government’s manifold rescue measures are just getting underway, with many uncertainties and policy risks ahead.

The election of America’s first African-American president is cause for tremendous national pride, and the political transition presents many opportunities for fresh beginnings in Washington. But President Obama and the new Congress will take office committed to tax, spending, and regulatory initiatives whose implementation will take the economy into uncharted territory. And several grave security threats are taking form: we will not be left to grapple with our domestic problems unperturbed.

These dramatic developments come at the end of a year when AEI’s research and publications have been deep, broad, and widely read and talked about—laying a firm foundation for the momentous times ahead.

Policy institutes usually take a back seat during election seasons, when the emphasis is on personalities and packaged rhetoric rather than complex facts and hard choices. But that has not been so for AEI this time around. Our singular contributions to the military turnaround in Iraq have been widely reported. Our prescient early warnings of the government-sponsored risks in housing and credit markets have brought attention to our outstanding work on the ensuing financial havoc and efforts to repair it. AEI scholars have contributed penetrating analyses of the tax, health care, military, and other programs of the presidential candidates. And our special focus on politics—political institutions, demographics, and polling, even voting mechanics—has yielded many valuable insights into the twists and turns of a tumultuous year on the hustings.

AEI is not, however, governed by election cycles, policy crises, or the more routine excitements of Washington life. We are devoted to independent thinking and the promulgation of fresh ideas based on proven truths; we aim to influence the world but know that this takes patience and perseverance. In 2008, we produced many studies that will one day be recognized as path-breaking—on constitutional law, pharmaceutical regulation, demographic trends, political developments in the Muslim world, civil society in China, and the movement to apply Title IX to academic science. Our new books included brilliant challenges to fashionable orthodoxies—Charles Murray’s Real Education, Michael Novak’s No One Sees God, Joel Schwartz and Steven Hayward’s Air Quality in America, and Edward Blum’s The Unintended Consequences of Section 5 of the Voting Rights Act.

We are undaunted by controversy because we regard it as an essential step toward better knowledge and better policy. It is therefore especially gratifying when our work gains traction in practical affairs. Rick Hess’s program in education and school reform, our longstanding program on health care policy and Medicare reform, and our new program on economic development are outstanding examples. All have all become bustling centers of innovative thinking and doing.

We were delighted to welcome three exceptionally talented individuals to AEI’s research staff this year. Andrew Biggs has prepared several highly illuminating studies of the Social Security program and will be a leading intellectual figure in the debates immediately ahead. Lee Lane is codirecting, with Samuel Thernstrom, our new project on geoengineering approaches to global warming, which is moving the subject from obscurity to controversy—on the way, perhaps, to consensus and policy action. Hassan Mneimneh is further enriching our Middle East studies program with his deep and subtle knowledge of al Qaeda and other radical and jihadist groups worldwide.
AEI’s research programs involve extensive collaboration with university-based scholars, many of whom join us part-time or during sabbatical years. In 2008, our work was enhanced and our hallways enlivened by visiting scholars Tomas Philipson of the University of Chicago, Richard Burkhauser of Cornell, David Schoenbrod of New York Law School, David Weisbach of Chicago, Harvey Mansfield of Harvard, and Lawrence Mead of New York University.

In mid-year we bade farewell to our esteemed colleague James K. Glassman, who joined the Bush administration in the key position of undersecretary of state for public diplomacy. The latest of Jim’s many contributions to AEI had been the conception and inauguration of our magazine, The American. He was succeeded as the journal’s editor-in-chief by Nick Schulz, a gifted journalist-intellectual in the Glassman tradition who has taken The American to new heights.

Our most important transition this year was the selection of a successor to Chris DeMuth, who has served as AEI’s president for twenty-two years. The Board of Trustees devoted six months to an intense and wide-ranging succession search that led us to many highly accomplished individuals. The search achieved a brilliant result in July in the selection of Arthur C. Brooks—Louis A. Bantle Professor of Business and Government Policy at Syracuse University, AEI visiting scholar since 2007, and author of Gross National Happiness and other impressive works. The Board’s decision was deeply considered and highly enthusiastic, as expressed by Jim Wilson in the words quoted above.

The Institute’s trustees were engaged in another kind of leadership in 2008—-assembling a $75 million Trustees Endowment. Every trustee participated generously in the canvas. The Trustees Endowment, to be followed by a public endowment campaign, will provide AEI with financial strength commensurate to its intellectual strength and the urgent challenges of the years ahead. But AEI has always depended heavily on annual donations from many hundreds of corporations, foundations, and individuals—and that energizing dependence will continue. We want our annual donors to know that we are working hard to be good stewards, not only through the Trustees Endowment but through aggressive steps to control costs and improve efficiency in the face of the current economic contraction.

January 2009 will bring a double succession at AEI. As Arthur Brooks takes the helm from Chris DeMuth, Bruce Kovner will be succeeded as Board chairman by Kevin Rollins, senior adviser at TPG Capital and former president and CEO of Dell Inc. Bruce, who has been an AEI trustee since 1989 and chairman since 2002, will continue to be an active member of the Board and Executive Committee. Chris will pursue his own research in AEI’s new D. C. Searle Chair, named for the late Daniel Searle, who was one of AEI’s greatest friends, closest collaborators, and most generous supporters.

The two of us have worked single-mindedly to build on the traditions of excellence that we inherited. AEI is an invaluable American institution—an oasis of disinterested scholarship in an excessively partisan era and an independent intellectual force for better government, economic prosperity and progress, and the enlargement of freedom and opportunity. Concluding our tenures at a moment of grave national challenges, we are confident that, under the leadership of Arthur Brooks and Kevin Rollins, AEI will continue to speak truth, correct error, enrich debate, and help recover and sustain the success of the American enterprise.

BRUCE KOVNER  CHRISTOPHER DEMUTH
Chairman  President
Economic Policy Studies

Founded in 1943, AEI’s main focus was the study of economic policy. Sixty-five years later, the Institute still keeps economic policy studies at its core. The principal goal is to better understand free economies—how they function, how to capitalize on their strengths, how to keep private enterprise robust, and how to address problems when they arise.

“Peter Wallison saw Fannie Mae’s troubles coming twenty-five years ago. But getting anyone to do anything about the congressionally chartered mortgage company and its unusual vulnerabilities proved futile, even after Mr. Wallison began writing books warning that it and sister company Freddie Mac could take advantage of their government ties and relative lack of regulation to grow too large. . . . Mr. Wallison went on to publish books about the mortgage companies with titles like Privatizing Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, Nationalizing Mortgage Risk, and Serving Two Masters, Yet Out of Control. So how does he feel to be proved correct about the possible risks of a huge government bailout? ‘Terrible,’ he said. ‘I would have preferred that Congress had listened when something could have been done‘.”

—Wall Street Journal
From debates over the performance of the economy in the spring and summer to the trauma unleashed by the financial crisis in the fall, the turbulent and slowing U.S. economy kept AEI scholars unusually busy in 2008 as they assessed the damage and potential for recovery.

In his monthly Economic Outlook, John H. Makin addressed, among other topics, developments in the credit markets and on Wall Street, the Federal Reserve’s actions, lessons for the United States from Japan’s decade of stagnation, and why financial firms take too many risks.

At a series of conferences about what lies beyond the credit crunch, AEI economists addressed the effects of financial market turmoil on the broader economy. Discussion at the first, in December 2007, centered on Charles W. Calomiris’s paper “Not (Yet) a Minsky Moment,” in which he argued that the housing market bust had not at that point caused a collapse of credit resulting in a recession; Desmond Lachman and Mr. Makin took a much more pessimistic view. At the second event, in April, the panelists stuck to their guns, with Kevin A. Hassett arguing that recession was then “not obvious.” Allan H. Meltzer and Vincent R. Reinhart also participated in the series, which continued with a panel in October. Mr. Calomiris revisited his argument in an August article in the Washington Post.

Mr. Reinhart addressed the U.S. Monetary Policy Forum in New York in February, explaining the extent to which the Fed has changed its approach to policymaking. His comment at the April credit crunch panel that the Fed’s decision to bail out Bear Stearns was the “worst policy mistake in a generation” was widely reported.

Andrew G. Biggs joined the Institute as a resident scholar in March to research Social Security and pension issues. He was previously the principal deputy commissioner of the Social Security Administration. In July, Mr. Biggs received a Rockefeller Foundation Innovation Award for a project on how reducing the work requirement for Social Security benefit eligibility would impact low-wage earners. That month, he authored a Tax Policy Outlook on the Social Security earnings test.

AEI’s Working Paper Series enables scholars to make developing academic works available for discussion. Papers in 2008 included ones by Mr. Hassett, Aparna Mathur, and

Research Fellow Jeffrey Azarva studies the Middle East. A contributor to AEI’s Middle Eastern Outlook series, he coedited Dissent and Reform in the Arab World: Empowering Democrats (AEI Press, 2008), and his articles have appeared in The Weekly Standard, the Baltimore Sun, and the Middle East Quarterly. Mr. Azarva spent part of 2008 as a speechwriter and strategic communications adviser at Camp Victory near Baghdad, where he contributed to programs to prepare detainees to return to their homelands and reintegrate into society as good citizens.


Michael Barone is a resident fellow at the Institute. He researches American government and campaigns and elections, which he also covers as a senior writer for U.S. News & World Report. He is the principal coauthor of the biennial reference tome The Almanac of American Politics. Mr. Barone’s other books include Hard America, Soft America: Competition vs. Coddling and the Battle for the Nation’s Future (2004) and Our First Revolution: The Remarkable British Upheaval That Inspired America’s Founding Fathers (2007). He is currently working on a book about how internal migration patterns affect elections.

Resident Fellow Roger Bate researches health and environmental policy in the developing world. He wrote several Health Policy Outlooks this year, focusing on pharmaceutical policy and on how international organizations impede sound health policy. His most recent book is Making a Killing: The Deadly Implications of the Counterfeit Drug Trade (AEI Press, 2008). A contributor to Economic Affairs, the Wall Street Journal, the Far Eastern Economic Review, and The American, Mr. Bate is also the author of All the Water in the World (2006) and coauthor of Malaya and the DDT Story (2001, with Richard Tren).
Tufts University’s Gilbert E. Metcalf on the effects of carbon taxation; Mr. Biggs on ways to improve the resiliency of Social Security; and Philip I. Levy on a model to relate increasing economic integration to nascent democratization.

In response to competitive pressures, many countries have restructured their corporate tax regimes in recent years and cut tax rates in efforts to improve corporate output and stimulate their economies. These changes have put pressure on the United States to reform its corporate tax code, and AEI has sponsored research on this subject.

At a March conference, a group of leading economists convened by Mr. Hassett examined the effects of corporate taxation. Speakers included Andrei Shleifer of Harvard University, Roger H. Gordon of the University of California, San Diego, and Harvard Business School’s Fritz Foley.

The increase in the number of governments lowering the corporate income tax worries some observers who argue that countries should harmonize their corporate tax rates. Alan D. Viard wrote in an April Tax Policy Outlook that this recommendation is misguided. “Rather than trying to prop up the corporate income tax against competitive pressures,” he said, “countries around the world should celebrate its decline and work for its demise.”

The Supreme Court in May ruled in Department of Revenue of Kentucky v. Davis that states can offer their residents a special exemption for investing in home-state municipal bonds, upholding a long-established and widespread practice. In October 2007, AEI held a conference discussing the case after several AEI scholars, led by Mr. Viard, filed an amicus brief with the Supreme Court urging that the exemption be struck down because it impedes an efficient national market in municipal bonds. The justices upheld the tax exemption, but Justice David Souter’s opinion cited the AEI scholars’ brief in reserving judgment about the exemption in the private activity bond segment of the municipal bond market.

In May, AEI commissioned leading public finance scholars to study and describe the lessons learned since 2000 in seven important tax policy areas. Speakers included Messrs. Viard, Biggs, Hassett, and Metcalf; Alex Brill; John Diamond of Rice University; and the University of Michigan’s Matthew Shapiro. In October 2008, Mr. Viard held a conference on the “X tax,” a progressive consumption tax developed by the late David F. Bradford and discussed in his 2004 AEI Press monograph, The X Tax in the World Economy.

Mr. Brill authored a February Tax Policy Outlook offering simple reforms to the structure of capital taxation.

Even though the private equity sector represents only a small fraction of the financial assets in the American economy, its importance to capital formation and economic growth is substantial. Former National Research Initiative Fellow John L. Chapman organized a conference in November 2007 on the sector’s history, performance, and future. Michael Jensen of Harvard Business School and David Rubenstein of the Carlyle Group were the keynote speakers; others included R. Glenn Hubbard, Steven J. Davis, Adam Lerrick, visiting scholar Kent Smetters, and top private equity executives.

At an October event, Mr. Meltzer presented a paper arguing that America’s failure to address its domestic economic problems would undermine the global leadership role it has held for decades. Mr. Levy moderated, and Claude Barfield commented.

Mr. Hassett and Marcelle Chauvet of the University of California, Riverside, are working on a real-time model for determining when the economy has entered a recession. They discussed their preliminary findings in New York Times and Washington Post op-eds.

Is the middle class truly hanging on for dear life? In March, economic consultant Stephen J. Rose presented a paper at AEI arguing that while the middle class faces some challenges, it has benefited immensely from economic growth, improved standards of living, and labor market transformation.

At an AEI book forum in April, Michael Graetz of Yale Law School discussed his book 100 Million Unnecessary Returns (Yale University Press, 2008), in which he recommends replacing taxes on low- and middle-income households with a value-added tax on goods and services while also cutting the corporate income tax rate. Mr. Viard and David A. Weisbach commented, and Mr. Hassett moderated.
**Regulation**

- The AEI Center for Regulatory and Market Studies is the new home of the Institute’s research on regulation. Robert W. Hahn is the Center’s executive director. The Center was formally launched at its annual Distinguished Lecture, delivered in December 2007 by Cass R. Sunstein of Harvard Law School on how extremism originates in group polarization.

- The Center published an *On the Issues* by Mr. Hahn and Peter Passell of the Milken Institute warning about the consequences of the new push to reregulate the financial sector in the wake of financial market turmoil.

- The Reg-Markets Center hosted a conference at which several speakers offered new approaches for thinking through the climate change problem. In September, Mr. Hahn coauthored a *New York Times* op-ed on how royalties from increased oil drilling could be spent on environmental protection.

- Nine research papers were presented at a day-long January conference examining electricity deregulation, Texas-style. Speakers discussed how Texas restructured its electricity market and examined the lessons and pitfalls for other states that have recently sought to increase competition to drive down prices, increase supply, and improve the quality of service.

- At an April conference, several panelists offered economic perspectives on network management—including issues of “net neutrality”—examining the economic costs and benefits of imposing regulatory constraints on the management of high-speed Internet networks. Thomas Hazlett of George Mason University was the keynote speaker.


- Mr. Hahn and his Reg-Markets Center colleagues continued to urge the use of prediction markets as a policymaking tool in several publications this year.

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**AEI Fellows & Scholars**

Resident Scholar **Walter Berns**, the John M. Olin University Professor Emeritus at Georgetown University, writes on constitutional theory, legal issues, and political philosophy. He is the author of numerous books, including *Democracy and the Constitution* (AEI Press, 2006) and *Making Patron* (2001). He is one of the principal authors of *After the People Vote: A Guide to the Electoral College* (third edition, AEI Press, 2004). This year, Mr. Berns organized and taught a seminar for AEI research assistants and interns on the political philosophy of the American founding.

**Douglas J. Besharov**, the Joseph J. and Violet Jacobs Scholar in Social Welfare Studies, researches ways to reduce poverty, social dependency, family breakdown, and teen pregnancy. He has written or edited fourteen books, including *Family and Child Well-Being after Welfare Reform* (2003) and *Rethinking WIC: An Evaluation of the Women, Infants, and Children Program* (AEI Press, 2001, with Peter Germain), and he is the director of the University of Maryland’s Welfare Reform Academy. His current projects include a study on the nature of contemporary poverty and what to do about it.

**Andrew G. Biggs**, formerly the principal deputy commissioner of the Social Security Administration, joined AEI in March as a resident scholar. He previously worked on Social Security reform at the National Economic Council. At AEI, he uses micro- and macroeconomic analysis, financial and behavioral economics, and research into public opinion and political institutions to analyze reforms to improve the long-range solvency of the Social Security program.

Visiting Fellow **Edward Blum** researches civil rights policy. He is the author of *The Unintended Consequences of Section 5 of the Voting Rights Act* (AEI Press, 2007). Mr. Blum is a contributing editor of the *Wall Street Journal*, *The Weekly Standard*, and *National Review*, among other publications.
The year was marked by cascading financial problems, from housing finance to bank and brokerage failures, and by highly unusual government interventions in response. Throughout the crisis, AEI scholars were at work devising solutions and assessing proposals to reform financial market regulation.

Policymakers have come to rely as never before on the timely insights in Peter J. Wallison and Alex J. Pollock’s monthly Financial Services Outlook series, which addressed, among other topics, concerns about disproportionate regulation of banks and the Treasury Department’s plan to restructure U.S. financial services regulation.

When the troubled government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac were nationalized and put into a conservatorship in September, Mr. Wallison’s prescient warnings were noted by many. At a December 2007 event moderated by Mr. Wallison, James Lockhart, the GSEs’ top regulator, urged passage of GSE reform legislation. Mr. Wallison pursued this theme in his March Financial Services Outlook, taking Congress to task for its inaction on creating an effective regulator for the GSEs. His August Outlook considered several potential futures for the GSEs.

Mr. Pollock’s proposal to create a modern analogue to the New Deal-era Home Owners’ Loan Corporation, first floated in his December 2007 Financial Services Outlook, picked up steam in late January when it was brought up by Senator Christopher Dodd (D-Conn.) and covered extensively in the national media.

Mr. Pollock’s one-page mortgage disclosure form gained traction in Congress and elsewhere. In November 2007, the District of Columbia Council passed a law requiring the form. In March and October, Mr. Pollock moderated the third and fourth installments in a series of conferences on the deflating mortgage and housing bubble. Desmond Lachman, John H. Makin, and other panelists explored the financial, economic, and political consequences of the mortgage bust.

Speakers at a September conference moderated by Mr. Wallison discussed whether covered bonds could help rebuild the private mortgage securities market. Neel Kashkari, interim assistant secretary of the treasury for financial stability, delivered a keynote address, and Representative Scott Garrett (R-N.J.) and Mr. Pollock also spoke.

In the wake of the 2007 collapse of subprime mortgage-backed securities—which critics claim was exacerbated by credit rating agencies’ inaccurate ratings—Mr. Pollock participated in two AEI panels that evaluated the condition of the rating agency system and asked whether industry-wide reform is necessary.

Speakers at a September conference moderated by Mr. Pollock reviewed the municipal finance lessons to be learned from the impending bankruptcy of Jefferson County, Alabama, which suffered huge losses as a result of the housing bust and financial market illiquidity.

Mr. Wallison has long been examining the extent to which an optional federal charter for insurance could improve interstate competition in the industry; in December 2007, a panel looked at the potential for international competition, often hindered by the lack of a central regulator.

After the Treasury Department issued its blueprint for financial regulatory reform, with significant attention to the insurance sector, AEI held a major conference in July on the future of insurance regulation and the competitiveness of the industry. Assistant Secretary of the Treasury for Financial Institutions David Nason offered special remarks.

Mr. Wallison continued to address the challenge that excessive regulation and litigation pose to U.S. financial markets’ competitiveness. In November 2007, he moderated a conference on the Financial Services Roundtable’s Blueprint for U.S. Financial Competitiveness. Robert Steel, then-undersecretary of the treasury for domestic finance, keynoted the event. In February, Mr. Wallison convened a conference on the second report of the Committee on Capital Markets Regulation. Hal S. Scott of Harvard University, former Securities and Exchange Commission (SEC) member Roel Campos, and others discussed the committee’s findings and considered the possible causes of the U.S. public securities markets’ decline and threats to U.S. financial market preeminence. R. Glenn Hubbard, who co-chaired the committee, continued to write about the issue in 2008.

Mr. Wallison moderated an April conference on fair-value accounting. Speakers included former SEC chairman Harvey Pitt and Leslie Seidman of the Financial Accounting Standards Board.


Energy and Environmental Policy

- In June, AEI held the first conference in its new project exploring the science and policy implications of geoengineering. Lee Lane and Samuel Thernstrom direct the project. Geoengineering—changing the earth’s environment in ways that would counteract the effects of global warming—is an idea that has not received sufficient attention in the national climate policy debate. Panelists at the AEI conference included Tom Wigley of the National Center for Atmospheric Research, MIT’s Kerry Emanuel, and Scott Barrett of Johns Hopkins University.

- Shortly before the Interior Department declared the polar bear “threatened” by global climate change, Kenneth P. Green’s May Environmental Policy Outlook examined the state of polar bear populations and found that they are robust. In a series of op-eds and a conference, Mr. Green examined the consequences of the polar bear listing for energy exploration.

- Understanding environmental progress can help identify priorities to address lingering problems. In Air Quality in America: A Dose of Reality on Air Pollution Levels, Trends, and Health Risks (AEI Press, December 2007), Joel M. Schwartz and Steven F. Hayward refute common myths about the prevalence of air pollution, demonstrating that progress has been made.

- Mr. Hayward’s February Environmental Policy Outlook identified the United States as a leader in environmental improvement. He also explored these trends in the 2008 edition of the annual Index of Leading Environmental Indicators (AEI Press/Pacific Research Institute), noting that U.S. greenhouse gas emissions fell in 2006, a first for a nonrecessionary year.

- In a July Environmental Policy Outlook, Mr. Green explored the flaws of ethanol as an alternative fuel, concluding that its use will increase water pollution, land and ecosystem consumption, emissions of greenhouse gases and other pollutants, and food prices—with little or no salutary effect on energy supply or gas prices.

- Messrs. Hayward and Green hosted a conference in February to explore the inherent limits of environmental science when attempting to forecast the future under different policy regimes and whether there are ways to improve environmental forecasting for policymaking purposes.

- The Environmental Policy Outlook series was relaunched in fall 2008 with a broader focus as Energy and Environment Outlook.

AEI Fellows & Scholars


John R. Bolton, who served as U.S. permanent representative to the United Nations from August 2005 to December 2006, is an AEI senior fellow studying foreign policy and international organizations. He previously served as under secretary of state for arms control and international security. A lawyer and diplomat, Ambassador Bolton has written extensively on United Nations reform, nuclear weapons proliferation, North Korea, and Iran. He is the author of Surrender is Not an Option: Defending America at the United Nations and Abroad (2007).

Senior Fellow Karlyn Bowman is an expert on American public opinion. She is a contributing editor of The American. In 2008, she released several new AEI Public Opinion Studies on economic insecurity and convention bounces. She continues to update her AEI Public Opinion Studies of the war on terrorism, the war in Iraq, taxes, the environment, abortion, and homosexuality. Ms. Bowman is currently coediting an AEI-Brookings project on election demographics entitled “The Future of Red, Blue, and Purple America.”

Research Fellow Alex Brill is a former senior adviser and chief economist to the Committee on Ways and Means of the U.S. House of Representatives. He also served on the staff of the President’s Council of Economic Advisers. Mr. Brill works on a variety of economic and legislative policy issues, including dividend taxation, the alternative minimum tax, international tax policy, social security reform, defined benefit pension reform, and U.S. trade policy. He has contributed to AEI’s Tax Policy Outlook series.
In November 2007, as the Doha round of multilateral trade negotiations lingered near collapse, Claude Barfield moderated a panel at which Douglas Irwin of Dartmouth College and Petros Mavroidis of Columbia University presented their study of the aspirations and goals of the creators of the General Agreement on Tariffs and Trade at the end of World War II. When Doha faltered in the summer of 2008, Mr. Barfield and Philip I. Levy moderated a panel on the consequences for the multilateral trading system. Warren Maruyama, general counsel for the U.S. Trade Representative, gave the keynote speech.

In January, Deputy Secretary of Agriculture Charles F. Conner spoke at a day-long conference that examined U.S. agriculture policy and the future of the Doha round, noting that U.S. agricultural subsidies, regulations, and spending programs have had significant effects on global commodity markets. Also participating in the conference were Joseph W. Glauber of the Office of the U.S. Trade Representative and Paul Wolfowitz.

As several trade agreements with important allies such as South Korea and Colombia were held up by a protectionist Congress, AEI scholars examined the issues in op-eds and media appearances. With respect to the Colombia deal, Norman J. Ornstein saw the pact as a test of the Democratic congressional leadership’s willingness to accept the responsibilities of the majority. Mr. Levy cast doubt on the claim that the pact would cost U.S. jobs, and Roger F. Noriega said Colombian president Álvaro Uribe’s record on fighting terrorism and supporting the rule of law “speaks for itself.”

In July, Under Secretary of Commerce for International Trade Christopher A. Padilla spoke about concerns that China is marginalizing the United States through a proliferation of bilateral trade agreements with its neighbors and multilateral agreements within the Asian bloc. Michael Auslin and Mr. Barfield also spoke at the conference.


Brian Hindley of the European Centre for International Political Economy joined other trade experts to discuss Kazakhstan’s role in the global trading system at a June event moderated by Mr. Barfield.

Desmond Lachman hosted an event in February to look at whether sovereign wealth funds—the investment arm of cash-rich foreign governments—pose a risk to the United States in the wake of the subprime mortgage crisis.

In light of Latin America’s historic vulnerability to even minor tremors in external markets, all eyes in the region are on the potential fallout from the U.S. economic slowdown in the hemisphere. Anoop Singh of the International Monetary Fund (IMF), Nancy Lee of the Center for Global Development, and Messrs. Lachman and Noriega commented at a May event on the risks and opportunities posed by the U.S. subprime crisis to Latin America.

Ann Owen of Hamilton College argued at an April event that developing countries with more open economies tend to have better health outcomes as a result of knowledge spillovers. Jeremiah Norris of the Hudson Institute and Mr. Wolfowitz commented; Roger Bate moderated.

At a June event, Mr. Levy, Scott Paul of the Alliance for American Manufacturing, Cornell University’s Eswar S. Prasad, and Brad W. Setser of the Council on Foreign Relations discussed what approaches the next administration might take toward trade with China.

Stijn Claessens of the IMF spoke about historical global recession patterns at a July forum. Mr. Lachman commented, and Vincent R. Reinhart moderated.

Mr. Barfield hosted a conference in September on technology transfer and international security.
FOREIGN AND DEFENSE POLICY STUDIES

AEI’s foreign and defense policy researchers aim to enhance the understanding of how political and economic freedom—as well as American interests—are best promoted around the world. AEI scholars evaluate relations between the United States and its allies, analyze global security threats and military preparedness, examine economic development, and evaluate international and multilateral organizations and institutions.

“[Bolton] tells the rest of the story with a focus, brutality and exasperation that will give pain and pleasure in all the right places.”

—Wall Street Journal

“The most important contribution of Surrender Is Not An Option will come from the light it shines on the Department of State and its permanent bureaucracy.”

—The Weekly Standard

“Bolton . . . warn[s] that diplomacy is not cost-free and that U.N. diplomacy, in particular, is often convoluted and feckless.”

—Washington Post

AEI Fellows & Scholars


Richard Burkhauser joined AEI as a visiting scholar in 2008. He investigates how public policies affect the economic behavior and well-being of vulnerable populations such as those with disabilities, the poor, and the aged. Mr. Burkhauser also teaches policy analysis and economics at Cornell University, where he is the co-principal investigator of the Center for Economic Research on Employment Policy for Persons with Disabilities. He is working on an AEI Press book on disability insurance policy.


U.S. National Security and Defense Policy

- John R. Bolton’s bestselling Surrender Is Not an Option: Defending America at the United Nations and Abroad (Simon & Schuster) was released in November 2007. In it, Ambassador Bolton recounts his experience at the United Nations and the State Department. He skewers bureaucratic indifference to and inertia on vital security issues and calls for the vigorous pursuit of American interests. He also surveys world affairs, from China and Russia to the Middle East and Africa. Ambassador Bolton wrote extensively this year on the situation in North Korea.

- In April, Frederick W. Kagan released his phase IV report, Iraq: The Way Ahead. The detailed assessments and recommendations followed three Iraq reports from AEI’s Iraq Planning Group in 2007. Mr. Kagan wrote that the U.S. strategy has seen violence decline markedly, and he also evaluated Iraqi government progress on political benchmarks, concluding that “planning now for additional reductions, given the realities of troop-to-task ratios in any of the most likely scenarios, is foolish. Promising such reductions or committing to them now would be completely irresponsible.” During congressional hearings in May, Senator Joseph Lieberman (I-D-Conn.) quoted from Mr. Kagan’s writings on Iraq. The importance of Mr. Kagan’s work in turning around the situation in Iraq was noted by various media outlets, including the New York Times, the Washington Post, and NPR.

- In May, Thomas Donnelly and Mr. Kagan published Ground Truth: The Future of U.S. Land Power (AEI Press). The book addresses the strategic challenges facing U.S. land forces, describing how the force needs to grow to meet those challenges and laying out the programmatic and budgetary requirements demanded by the force’s development. Kathleen Hicks of the Center for Strategic and International Studies joined the authors for a book forum to mark its publication.

- Brigadier General H. R. McMaster (U.S. Army), an architect of counterinsurgency strategy in Iraq who led such operations in Tal Afar, spoke at AEI in May about successes on the ground—including the dramatically reduced operational capability of al Qaeda in Iraq; the Iraqi Security Forces’ continued operations against Shiite extremists; and Prime

AEI Fellows & Scholars


Steven J. Davis is a visiting scholar in taxation and labor issues and a professor at the University of Chicago Graduate School of Business. At AEI, he studies how tax changes in states and countries lead to differences in employment, household work, and leisure time. He is also directing an AEI research project on inequality and economic well-being.

Resident Fellow Mauro De Lorenzo researches private sector–based approaches to development in postconflict and post-socialist countries, refugee and humanitarian policy, foreign investment, and Chinese investment in Africa and Latin America. He edits AEI’s Development Policy Outlook series and has contributed to the Wall Street Journal and The American. Mr. De Lorenzo has worked and studied in Afghanistan, Bosnia and Herzegovina, Burundi, the Democratic Republic of Congo, Liberia, Rwanda, and Uganda. He is currently writing a book about developing countries that are making it easier to do business.

In December 2008, Christopher DeMuth will step down after a twenty-two-year tenure as president of AEI. He will remain at the Institute as a senior fellow studying U.S. politics, society, and government regulation. Mr. DeMuth is the coordinator of, most recently, Religion and the American Future (AEI Press, 2008). In fall 2007, he wrote an article for the Wall Street Journal discussing the role of think tanks in American public life.
Minister Nuri Kamal al Maliki’s increasing support from the major Sunni, Kurdish, and Shiite blocs. Michèle Flournoy of the Center for a New American Security and the Institute for the Study of War’s Kimberly Kagan commented, and Mr. Donnelly moderated.

Mr. Kagan, Ms. Kagan, and General Jack Keane (U.S. Army, retired) reported in July on their visit to Iraq, arguing that the surge has worked and that Iraq now requires a U.S. military presence to consolidate its political stability. Danielle Pletka hosted an August panel at which Iraq war veterans commented on their own recent visits to Baghdad.

U.S. national security depends on successful partnerships with allies, especially in the war on terrorism. Former research fellow Christopher Griffin and Mr. Donnelly authored The Frontline Country Team: A Model for Engagement, a report that calls for improving U.S. security cooperation by devolving authority from Washington to ambassador-led “country teams” in sensitive areas. Messrs. Griffin and Donnelly presented the report at a July forum that also included Colonel Robert Killebrew (U.S. Army, retired).

In 2008, AEI’s National Security Outlook series included essays by Mr. Schmitt and research assistant Tim Sullivan on the limitations of crisis-management theory in the context of a Taiwan Strait conflict, by Mr. Donnelly on moving beyond the Goldwater-Nichols Act to reorganize U.S. defense capabilities, by Messrs. Donnelly and Sullivan on the defense challenges the next president will face, and by General Keane on why and how the United States and the Iraqi forces are winning in that country.

With the Nuclear Non-Proliferation Treaty (NPT) unable to prevent India and Pakistan from obtaining nuclear technology or Iran and North Korea from developing it, AEI held a conference in April to assess the NPT and weigh future civil nuclear cooperation—especially with India. Ms. Pletka, Henry Sokolski of the Nonproliferation Policy Education Center, James Acton of Kings College London, and Daryl Kimball of the Arms Control Association were among the speakers.

Several of AEI’s Bradley Lectures touched on foreign policy issues. Former undersecretary of defense for policy Douglas J. Feith presented his book War and Decision (HarperCollins, 2008) at the December 2007 lecture, unveiling the reasoning for—and back-room debates over—U.S. strategy in the war on terrorism and the Iraq war. In January, Timothy Naftali of the Nixon Library spoke about the “reluctant realism” of George H. W. Bush, which he looked at through the lens of the fall of the Soviet Union and Operation Desert Storm. Historian Arthur Herman gave a talk about the British withdrawal from India, in which he saw parallels to proposals for the United States to extricate itself from Iraq.
Asian Studies

The rise of Asian countries to the world stage has raised the economic and security profile of the region. AEI scholars—including Michael Auslin, Dan Blumenthal, John R. Bolton, Nicholas Eberstadt, Danielle Pletka, and Gary J. Schmitt—are examining the future of U.S. relations with Asian countries.

Messrs. Auslin and Blumenthal and Princeton University’s Aaron Friedberg are coordinating AEI’s Asia Strategy Working Group, which is crafting strategic responses to the new regional landscape. Convening eight times between October 2007 and June 2008, the group considered developments in China, Japan, India, the Korean Peninsula, Taiwan, Southeast Asia, and regional great power competition. The working group’s conclusions were published in a fall 2008 report.

One reason that U.S. alliances in Asia are so crucial is the urgent need to address the North Korean threat. In January, AEI held the first of a number of events in 2008 on the situation in North Korea. U.S. Special Envoy for Human Rights in North Korea Jay P. Lefkowitz gave the keynote address at a session about the then-prospective removal of the country from the U.S. list of state sponsors of terrorism, Pyongyang’s alleged abduction of foreign nationals, and the regime’s persistent violation of human rights.

Ms. Pletka moderated an event in April at which a panel of North Korea watchers and international security specialists, including Mr. Eberstadt and former National Security Council staffer Carolyn Leddy, discussed North Korea’s strategy for state survival and criticized the Bush administration’s performance in dealing with this aggressively revisionist state. In a series of major op-eds, Ambassador Bolton decried the administration’s seeming desire to cut a deal with North Korea at any cost.

Protests in Tibet, the earthquake in Sichuan, and the 2008 Summer Olympic Games in Beijing exposed large rifts in Chinese society, many of which were illuminated by AEI’s Tocqueville on China papers. Directed by Messrs. Blumenthal and Schmitt, the Tocqueville on China project studies China’s civic culture. The first paper, by Perry Link of Princeton University, showed how blogs, ditties, and anticorruption...
Asian Studies, continued

novels allow Chinese to express their disgust with official corruption safely. The second, by George Mason University’s Carol Lee Hamrin, looked at how China’s expanding and upwardly mobile Protestant population can effect moral renewal.

China has been a leader in promoting bilateral trade agreements with its neighbors and multilateral agreements within the Asian bloc—at the expense of the United States. Under Secretary of Commerce for International Trade Christopher A. Padilla spoke on this subject at a July event, joined by Mr. Auslin and Claude Barfield.

AEI’s Taiwan Policy Working Group, codirected by Mr. Blumenthal, released a report in February calling for ramping up U.S.-Taiwan relations to enhance the island’s global profile. Then-minister of foreign affairs James Huang was the keynote speaker at the report’s launch event in Taipei. In June, Mr. Blumenthal moderated a conference on prospects for the Taiwanese economy in the wake of the election of President Ma Ying-jeou, who visited AEI in 2006.

In July, Mr. Blumenthal coauthored an op-ed in the Wall Street Journal that critically assessed the Bush administration’s decision to freeze arms sales to Taiwan. Mr. Blumenthal wrote in The Weekly Standard that Russia’s invasion of Georgia in August is a troubling precedent that might give Beijing cover to invade Taiwan.

In May, then-president Chen Shui-bian of Taiwan conferred the Order of the Brilliant Star with Grand Cordon on Mr. DeMuth and Ambassador Bolton for their contributions to U.S.-Taiwan relations. Paul Wolfowitz was appointed that month as chairman of the U.S.-Taiwan Business Council.

Mr. Auslin is leading a project to study the U.S.-Japanese alliance. He moderated a March event on how the United States and Japan can effectively address shared concerns over terrorism and nuclear proliferation. Mr. Blumenthal also spoke at the event.

Robert Alan Feldman of Morgan Stanley Japan and Desmond Lachman discussed how Japan’s economic woes might affect its trading partnership with the United States at a September event moderated by Mr. Auslin.

Mr. Auslin is also studying the prospects for restructuring U.S. alliances in Asia. He authored an Asian Outlook on aligning the stable Asia-Pacific democracies—the United States, Australia, Japan, South Korea, India, and Taiwan—to counterbalance the authoritarian regimes in Beijing and Moscow. He and former research fellow Christopher Griffin contributed another Outlook on security trilateralism between the United States, Japan, and South Korea, which would require the latter two countries to overcome historic antagonisms.

In February, Messrs. Eberstadt and Auslin hosted an event in advance of Lee Myung-bak’s inauguration as president of South Korea. Asia experts at the event examined how the Lee administration would affect key issues on the Washington-Seoul agenda.

AEI scholars have long been monitoring the rise of India, the world’s most populous democracy. In anticipation of Secretary of Defense Robert Gates’s trip to India in February, AEI hosted a panel of experts who discussed how Washington and Delhi can capitalize on the rapidly expanding relationship and whether the two countries will ever develop a serious defense-industrial partnership.

In June, Mr. Griffin moderated a panel on whether India can make the costly and difficult transition to great power status. Indian defense expert C. Uday Bhaskar, Stephen P. Cohen of the Brookings Institution, and former Indian revenue secretary M. R. Sivaraman spoke.

In Sustaining India’s Growth Miracle (Columbia University Press, 2008), Charles W. Calomiris and adjunct scholar Jagdish Bhagwati ask whether India’s rapid economic growth can be sustained.

After the assassination of Benazir Bhutto in December 2007 and the destabilization of Pakistan that followed, AEI held a panel discussion on what her assassination would mean for Pakistani politics, what the unrest there would portend for regional security, and how the United States might respond. Former Bhutto adviser Husain Haqqani, Thomas Donnelly, and Ms. Pletka spoke.
**Latin American Studies**

- Roger F. Noriega held a conference to assess the U.S. and Mexican governments’ Mérida Initiative. Representative Henry Cuellar (D-Texas) and other speakers addressed ways the initiative would contribute to U.S. security and improve U.S.–Latin American relations. Their comments were also published as a *Latin American Outlook* in March.

- Salvadoran foreign minister Marisol Argueta spoke at a September event on El Salvador’s alliance with the United States and the rising tide of anti-American populism in some Latin American countries. The other panelists included former Bolivian ambassador to the United States Jaime Aparicio.

- AEI scholars have long anticipated the end of Fidel Castro’s nearly fifty-year dictatorship in Cuba. When Castro stepped down in February, resident scholar emeritus Mark Falcoff wrote in the *Times* of London and the *New York Post* that no one should expect democracy to emerge immediately on the island—after all, Cuba is scarred by a half-century of privation and oppression. Ambassador Noriega addressed the transition in a *Latin American Outlook*.

- Shortly before the Cuban transition, Ambassador Noriega hosted a forum on the principles for economic engagement of a free Cuba. Panelists at the January event discussed labor rights, a set of conditions for foreign investment that stress human rights and fair hiring practices, and the timing and conditionality of U.S. economic support. The deputy assistant secretary of state in the Bureau of Western Hemisphere Affairs, Kirsten D. Madison, spoke.

- In April, Brazilian ambassador to the United States Antonio Patriota spoke at AEI about his country’s economic and political progress under President Luiz Inácio Lula da Silva. In August, Ambassador Noriega authored a *Latin American Outlook* on Lula’s legacy.

- Ambassador Noriega and former research assistant Megan Davy authored an *Outlook* on Latin America’s vulnerability to global economic tremors, and they spoke at an event on that subject in May.

- Hector E. Morales Jr., the U.S. permanent representative to the Organization of American States (OAS), spoke at a May AEI event moderated by Ambassador Noriega—himself a former ambassador to the OAS—on the effectiveness of the organization in mitigating the numerous challenges faced by Latin American nations.

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**AEI Fellows & Scholars**


**David Gelernter** is an AEI national fellow. A professor of computer science at Yale University, he studies American history, religion, culture, and science at the Institute. He is a member of the National Council on and the author of, most recently, *Americanism: The Fourth Great Western Religion* (2007).


Senior Fellow **Newt Gingrich** focuses on health care, information technology, and national security. An underlying theme of his research in these areas is the desire to make government more efficient, and thereby more effective. Mr. Gingrich often testifies before Congress, writes prolifically about these topics, and makes frequent television appearances. He is also the general chairman of the nonpartisan organization American Solutions for Winning the Future. Among his recent books is the bestselling *Real Change: From the World That Fails to the World That Works* (2008).
AEI scholars responded quickly and forcefully to Russia’s invasion of Georgia in early August. Frederick W. Kagan offered regular situation updates on AEI.org in the weeks after the invasion. He joined Leon Aron, Thomas Donnelly, and current and former military personnel familiar with Georgia for a panel offering an initial assessment of the conflict in the Caucasus. Mr. Kagan spoke about the Russians’ strategic goals; Mr. Aron commented on what the invasion reveals about who is in charge in the Kremlin. Other AEI scholars engaged in the issues surrounding the conflict include John R. Bolton, Mauro De Lorenzo, and Gary J. Schmitt.

Shortly after the Russian invasion of Georgia, Poland signed a missile defense pact with the United States. Polish foreign minister Radek Sikorski delivered an address at AEI in January on Poland and the future of transatlantic relations at which he discussed prospects for U.S.-Polish security cooperation in light of the threats Eastern Europe faces. Mr. Sikorski headed AEI’s New Atlantic Initiative from 2002 to 2005.

Mr. Aron writes AEI’s quarterly *Russian Outlook*. In 2008, he addressed the three phases of Vladimir Putin’s foreign policy, the unique characteristics of “Putinism” in Russian politics, and the effort to whitewash Soviet history in textbooks.

In recent issues of the Institute’s *European Outlook*, Reuel Marc Gerecht and Mr. Schmitt wrote about France as Europe’s “counterterrorist powerhouse,” visiting research fellow Ida Garibaldi explored the Russian threat to European energy security, and Mr. Gerecht wrote about missile defense.

In February, Mr. Bolton discussed the issues surrounding Kosovo’s declaration of independence with Bruce Jackson, the president of the Project on Transitional Democracies and a former member of the International Commission on the Balkans. Mr. Schmitt moderated.

The AEI Legal Center for the Public Interest and the Germany-based Council on Public Policy cosponsored a Transatlantic Law Forum on the United States’ and Europe’s very different approaches to the notion of citizenship, including how citizenship is treated in the European Union. Speakers included Judge Jean-Claude Bonichot of the European Court of Justice; Kenneth W. Starr of Pepperdine University; three U.S. federal appeals court judges; several U.S.- and Europe-based legal scholars, political scientists, and journalists; and Walter Berns, Michael S. Greve, and Ayaan Hirsi Ali.

At a February event, Andrew G. Biggs, Richard Burkhauser, former Dutch social affairs minister Aart Jan de Geus, Kenneth P. Green, Henry Olsen, and others examined the new market-based reform policies that “Old Europe”—the Western European and Scandinavian countries—has implemented to address its policy challenges.

In March, Mr. Aron moderated a panel featuring four Russian opposition leaders, who discussed how Putin’s repressive measures have limited the opposition’s ability to reach the public and how Russian “elections”—like the one held that month that crowned Putin’s designated successor, Dmitri Medvedev—have become increasingly meaningless.

In *Europe’s Coming Demographic Challenge: Unlocking the Value of Health* (AEI Press, 2007), Nicholas Eberstadt and Hans Groth, M.D., argue that Europe’s aging workforce can extend its productive years by retiring its culture of retirement and harnessing the unparalleled health benefits it currently enjoys. Mr. Eberstadt and Dr. Groth were joined by former congressman Jim Kolbe (R-Ariz.) at a December 2007 book forum.

Efforts in Russia to portray Joseph Stalin in a more positive light made a January session at AEI particularly timely. A collection of Stalin’s personal papers from 1917 to 1952 was recently opened to Yale University Press, where Jonathan Brent is overseeing research into the dictator’s thoughts and intentions. Messrs. Aron and Brent and Ronald Radosh of the Hudson Institute discussed the significance of the collection.

Mr. Aron, Desmond Lachman, and former Putin economic adviser Andrei Illarionov of the Cato Institute spoke at a December 2007 forum on the surge in inflation that is hampering the Russian economy. They assessed the economic and political fallout of the inflation and the subsequent price controls.
Middle Eastern Studies

- In a major report released in February, Frederick W. Kagan, Kimberly Kagan, and Danielle Pletka presented detailed evidence of Iran’s actions, influence, subversion, and diplomacy in Iraq, the Levant, and Afghanistan.

- In May, speakers at a conference discussed the opaque Mahmoud Ahmadinejad presidency’s impact on Iranian civil and political society, how Iran makes foreign policy, and the rise and transformation of the Islamic Revolutionary Guards Corps (IRGC). Speakers included IRGC cofounder and Iranian dissident Mohsen Szegara, Hormoz Hekmat of the Foundation for Iranian Studies, and Tom Parker of the Iran Human Rights Documentation Center.

- Through its Global Business in Iran: Interactive project, AEI tracks international investment in the Islamic Republic. The website has tracked $290 billion thus far from forty-six countries and at least 360 companies.

- Ali Alfoneh’s several Middle Eastern Outlooks this year covered rifts in Ahmadinejad’s government, the IRGC’s increasing involvement in domestic politics, structural changes in the IRGC, and Ahmadinejad’s co-option of the clergy. Michael Rubin authored Middle Eastern Outlooks on Iran’s diplomatic and economic outreach in Latin America and Africa and on whether Iraqi Kurdistan is a good U.S. ally.

- New work directed by Messrs. Kagan and Rubin and Ms. Pletka, with primary Farsi language research by Mr. Alfoneh, will include deeper analysis of Iran’s global reach, as well as new case studies on Iranian links to the Taliban and IRGC strategies in the Persian Gulf.

- This fall, AEI launched a project to analyze al Qaeda’s online presence and evolving ideological profile. Hassan Mneimneh joined the Institute in September to work on the project with Jeffrey Azarva. Mr. Mneimneh authored a September Middle Eastern Outlook on al Qaeda’s standing seven years after the 9/11 attacks.

- Disent and Reform in the Arab World: Empowering Democrats (AEI Press, 2008), edited by Mr. Azarva, Ms. Pletka, and Mr. Rubin, includes essays by reformers and activists from Bahrain, Egypt, Iraq, Jordan, Lebanon, Libya, Syria, Tunisia, and Yemen.

- Mr. Rubin moderated a May event at which Mr. Mneimneh, Ms. Pletka, and others discussed the power struggles unfolding in Lebanon and examined U.S. options.

AEI Fellows & Scholars

Resident Scholar Kenneth P. Green, an environmental scientist by training, studies environmental and energy policy, with special emphasis on climate change. He is the author of Global Warming: Understanding the Debate (2002), a textbook for middle school students. He also contributes to AEI’s Energy and Environment Outlook. Before joining AEI, Mr. Green worked on U.S. and Canadian environmental policy at the Reason Foundation and Canada’s Fraser Institute.


Resident Scholar Scott Gottlieb, M.D., a practicing physician, researches Food and Drug Administration policies, trends in medicine, and medical technology development. He has written extensively for the Wall Street Journal, and his work has also appeared in Health Affairs and USA Today and on Forbes.com.
AEI and the Federalist Society launched a new venture in April: Global Governance Watch. From its website at www.globalgovernancewatch.org, the project examines how national-level policy decisions are affected by intergovernmental organizations and NGOs—and how these entities challenge sovereignty. It also provides a tool for monitoring transparency and accountability in international organizations. Leonard Leo of the Federalist Society, Danielle Pletka, and John R. Bolton spoke at the launch event. Ambassador Bolton’s keynote address underscored the differences in U.S. and European understandings of sovereignty and was published in AEI’s On the Issues series.

As food prices spiked in 2008 and hunger in the developing world rose, Mauro De Lorenzo organized a major conference on the causes of the food crisis. Senator Richard Lugar (R-Ind.) called for lifting the tariff on Brazilian sugarcane ethanol, which (unlike corn ethanol) does not divert staple crops to nonfood uses. World Bank president Robert Zoellick argued that import and export barriers have exacerbated the food crisis. Other speakers included Nicholas Eberstadt, Kenneth P. Green, Kevin A. Hassett, Anne Krueger of Johns Hopkins University, Asma Lateef of the Bread for the World Institute, Philip I. Levy, and Namanga Ngongi of the Alliance for a Green Revolution in Africa. Adam Lerrick wrote an On the Issues about the causes of the global food crisis on the eve of the G8 summit in July.

“Indicator-based” foreign aid adds an element of competition to the process of granting funds to developing countries. John J. Danilovich, the CEO of the Millennium Challenge Corporation (MCC), which is leading the way in using indicators, said at a January event that this approach is the best way to stimulate sustainable business development in recipient countries while giving leaders the political space to carry out reforms. Paul Wolfowitz, as well as panelists from the World Bank and the United Nations (UN) Development Programme, also addressed the subject. Mr. De Lorenzo is currently the special adviser to former senator Bill Frist (R-Tenn.) on the MCC board of directors.

Robert Bates of Harvard University, Nancy Birdsall of the Center for Global Development, Deborah Bräutigam of American University, and Mick Moore of the Institute of Development Studies discussed the role of taxation in promoting good governance in developing countries. As foreign aid and natural resource income have replaced healthy levels of taxation in developing countries, a disconnect has occurred between governments and taxpayers. In many circumstances, this has led to a lack of government accountability, causing developing countries to delay democratic reforms. Mr. De Lorenzo moderated.

In Surrender Is Not an Option: Defending America at the United Nations and Abroad (Simon & Schuster, 2007) Ambassador Bolton recounts his experience at the UN and the State Department, criticizing bureaucratic inertia on and indifference to crucial security issues.

Recent editions of AEI’s Development Policy Outlook, edited by Mr. De Lorenzo, include essays by Ms. Bräutigam on taxation and governance in Africa, by former AEI research assistant Megan Davy on Latin American development vis-à-vis China, and by Mr. De Lorenzo and research assistant Apoorva Shah on “entrepreneurial philanthropy” in the developing world.

At a January seminar, Harvard economist Rafael Di Tella examined why some in poor nations are swayed by populist appeals and embrace corrupt regimes. Mr. Eberstadt moderated.

Following up their 2007 Development Policy Outlook on a Marshall Plan for Africa, former visiting fellow Sarath Rajapatirana and Deepak Lal of UCLA spoke at a March conference on the lessons of the Plan for today’s development challenges.

The director general of Nigeria’s drug regulatory agency, NAFDAC, Dora Akunyili, spoke about the dangers of counterfeit drugs in developing countries at an April event moderated by Roger Bate.
Health Policy Studies

For decades, AEI’s health policy scholars have led debates over health care issues, including health coverage for the uninsured; Medicare, Medicaid, and other health entitlements; challenges to innovative pharmaceutical research and development; global health, including large international health organizations; and private-sector solutions to public health problems.

Making a Killing champions greater cooperation between wealthy and poor nations to quash the trade in counterfeit pharmaceuticals. Roger Bate calls for fortified policing resources, harsher penalties for counterfeiters, widespread public education, and common-sense consumer vigilance against this danger. Western policymakers must act immediately to quell the deadly counterfeit market in developing countries—and to ensure the integrity of their products at home.

Under Roger Feldman’s “medical indemnity” proposal, Medicare would pay each patient a fixed amount of money, reserving larger subsidies for sicker people. Patients, in turn, would select their own medical services from providers who would set their own competitive rates. A medical indemnity system would do away with the distortion in patients’ incentives wrought by conventional Medicare coverage. Given a fixed amount of money to spend on medical care, patients would have strong incentives to shop for the combination of services, providers, and prices that most closely meet their needs.

AEI Fellows & Scholars

Senior Fellow Kevin A. Hassett is the director of economic policy studies at AEI, where he studies tax policy, the U.S. economy, Social Security reform, and the stock market. He writes on these topics for such publications as the Wall Street Journal, the Washington Post, and The American. He is also a columnist for Bloomberg and National Review. His most recent books include Toward Fundamental Tax Reform (AEI Press, 2005)—which he coedited and contributed to—and Bubbleology: The New Science of Stock Market Winners and Losers (2002).

Steven F. Hayward, the F. K. Weyerhaeuser Fellow at AEI, researches environmental policy and the presidency. He writes the annual Index of Leading Environmental Indicators and frequently contributes to AEI’s Energy and Environment Outlook series. His most recent book is Air Quality in America: A Dose of Reality on Air Pollution Levels, Trends, and Health Risks (AEI Press, 2007, with Joel M. Schwartz). He starred in a 2007 documentary on climate change entitled An Inconvenient Truth . . . or Convenient Fiction?

Resident Scholar Robert B. Helms researches Medicare and Medicaid, private health insurance, and the pharmaceutical industry. He is the editor of several books, including Medicare in the Twenty-First Century: Seeking Fair and Efficient Reform (1999) and Competitive Strategies in the Pharmaceutical Industry (1996). Mr. Helms is a contributor to AEI’s Health Policy Outlook series, writing most recently about SCHIP reauthorization. He serves on the National Advisory Council of the Agency for Healthcare Research and Quality of the Health and Human Services Department.

Frederick M. Hess is a resident scholar and director of education policy studies at AEI. In 2008, he published The Future of Educational Entrepreneurship: Possibilities for School Reform and When Research Matters: How Scholarship Influences Education Policy. He is the executive editor of Education Next and the author or coauthor of several other books, including Tough Love for Schools (AEI Press, 2005) and Common Sense School Reform (2004). He is currently working on a book about “the emancipation of education.”
Health Policy Studies

- Secretary of Health and Human Services Michael Leavitt gave the keynote address at a conference on the role of physician performance measurement in delivering better value for health care. Secretary Leavitt lamented the lack of a sound, systematic basis for consumers to compare health care costs. Several physicians discussed practical aspects of improving physician performance measurement as well.

- A March event at AEI on oncology pharmaceuticals examined the Food and Drug Administration’s (FDA) role in the development and commercialization of the most innovative kinds of new drug treatments for cancer. FDA commissioner Andrew C. von Eschenbach, M.D., spoke, and John E. Calfee, AEI adjunct scholar Richard A. Epstein, Scott Gottlieb, M.D., and Tomas J. Philipson—among others—advocated accelerating the movement of new cancer drugs from laboratory to bedside.

- Senators Tom Coburn (R-Okla.) and Richard Burr (R-N.C.) spoke at an AEI Capitol Hill briefing, outlining a market-based reform proposal to increase the ranks of the insured and improve care through stronger competition in the health system, tax reforms, individual responsibility and ownership, and more active consumer involvement in medical decisions. Joseph Antos and Thomas P. Miller joined the senators for a discussion of the Coburn-Burr proposal.

Dora Akunyili, director general of Nigeria’s National Agency for Food and Drug Administration and Control

- Dora Akunyili, the head of Nigeria’s drug regulatory agency, NAFDAC, spoke about the dangers of counterfeit drugs to the international community and detailed the strategies she employed at NAFDAC that reduced the share of fake drugs in the Nigerian market by more than 30 percent. The event was moderated by Roger Bate, whose field research on counterfeit drugs led to his 2008 book Making a Killing: The Deadly Implications of the Counterfeit Drug Trade (AEI Press), which documents the extent of the trade and offers practical measures that governments, aid agencies, private companies, and citizens can take to protect the drug supply.

- As the 2008 health care debate centered on health insurance, speakers at an AEI conference in July focused on improving health outcomes, with special attention to improving health decision-making and preventive care. Nobel economics laureate James Heckman of the University of Chicago focused on childhood intervention and education as means of improving lifetime health. Other speakers included Michael McGinnis of the Institute of Medicine and Messrs. Miller and Philipson.

AEI Fellows & Scholars

Resident Fellow Ayaan Hirsi Ali is a native of Somalia who was previously a member of the Dutch parliament. She researches the relationship between the West and Islam, women’s rights in Islam, and violence against women motivated by religious and cultural arguments. Ms. Hirsi Ali is working on a book based on a philosophical encounter between Muhammad and several Western thinkers. Her 2007 memoir, Infidel, was an international bestseller. She is also the author of The Caged Virgin (2006).


**Health Policy Studies, continued**

- Congressional Budget Office director Peter R. Orszag presented a study in November 2007 warning that health spending, which is growing faster than the economy, might be even higher in the future than other experts have projected. Mr. Miller and visiting scholar Kent Smetters also spoke.

- Mr. Antos testified before the House Subcommittee on Health in April about Medicaid’s perverse financing structure, which he said splits the costs between the federal government and the states in a way that undermines fiscal prudence and promotes federal micromanagement. Michael S. Greve and Philip Wallach contributed a *Health Policy Outlook* in July to show how the Medicaid funding structure has allowed states like Arizona to expand spending dramatically, leading them to the brink of fiscal crisis.

- The specter of the growing Medicare shortfall raises questions about how to make the program sustainable. In *Markets Without Magic: How Competition Might Save Medicare* (AEI Press, April 2008), Mark V. Pauly of the Wharton School suggests a voucher system to enhance choice for consumers and limit the runaway growth of the program. Vouchers, he says, could provide full coverage for the poor and a minimum level of coverage for all seniors.

- Roger Feldman recommends a system of indemnities to replace traditional Medicare in *How to Fix Medicare: Let’s Pay Patients, Not Physicians* (AEI Press, June 2008). Mr. Feldman’s and Mr. Pauly’s books were published as part of AEI’s Studies in Medicare Reform series, edited by Mr. Antos and Robert B. Helms. Messrs. Pauly and Feldman presented their findings at an event in late July.

- Also in July, Mr. Feldman and his University of Minnesota colleague Stephen Parente presented an analysis of the potential effects of interstate competition on health insurance premiums. Eleven million more people could be insured under their most plausible scenario. Discussants included Aparna Mathur and New Jersey general assemblyman Jay Webber.

- Richard Foster, Medicare’s chief actuary, presented the annual findings of the Medicare trustees in March, reporting that the Hospital Insurance Trust Fund will be insolvent by 2019. Messrs. Antos and Helms, Robert Bixby of the Concord Coalition, and former Medicare chief Gail Wilensky also spoke. In April, Mr. Antos contributed a *Health Policy Outlook* on why Medicare’s looming fiscal crisis has not grabbed Americans’ attention. Mr. Antos also authored a *Health Policy Outlook* exploring policymakers’ lack of interest in reforming Medicare.

- Sally Satel, M.D., edited *When Altruism Isn’t Enough: The Case for Compensating Kidney Donors*, which is forthcoming from the AEI Press. The contributors assess the merits of markets for kidneys. Dr. Satel continues to research the ethics and mechanics of organ markets.

- In *Innovation and Technology Adoption in Health Care Markets* (AEI Press, October 2008), Mr. Philipson and Anupam B. Jena of the University of Chicago explore how well-intentioned but short-sighted governmental cost-effectiveness analysis may endanger future health care innovation and quality of care.

- Andrew G. Biggs authored a *Health Policy Outlook* in August arguing that population aging is an important factor when all entitlement programs are considered together. At a June conference, Peter Zweifel of the University of Zurich presented a paper arguing that nearness to death is a more important determinant of health care expenditures than age alone.

- In *Europe’s Coming Demographic Challenge: Unlocking the Value of Health* (AEI Press, December 2007), Nicholas Eberstadt and Hans Groth, M.D., argue that Europe’s aging workforce can extend its productive years by harnessing its unparalleled good health.

- Dr. Satel moderated a forum in June on E. Fuller Torrey’s book *The Insanity Offense: How America’s Failure to Treat the Seriously Mentally Ill Endangers Its Citizens* (W. W. Norton, 2008), at which Dr. Torrey and other mental health professionals commented on the merits of involuntary commitment for the most severely mentally ill.

- At a May event hosted by the AEI Legal Center for the Public Interest, panelists discussed the current regulatory and legal framework that prevents pharmaceutical companies from disseminating information on “off-label” uses of drugs to treat conditions for which they have not been approved by the FDA. Mr. Calfee and Dr. Gottlieb presented evidence on “off-label” prescribing. Other speakers included Mr. Greve, Ted Frank, Len Lichtenfeld of the American Cancer Society, White & Case’s George Terverger, former FDA chief counsel Daniel Troy of Sidley Austin, Jeffrey S. Bucholtz of the Department of Justice, and Mark Herrmann of Jones Day.
Legal and Constitutional Studies

- Attorney General Michael B. Mukasey spoke at AEI in July about the controversial Supreme Court decision in Boumediene v. Bush. He urged Congress to clarify the law on habeas corpus, lest Boumediene disrupt the two hundred ongoing habeas proceedings at Guantanamo Bay. Attorney General Mukasey outlined six principles “well-established in existing law” that should undergird any new legislation. John Yoo addressed the Boumediene decision in a Wall Street Journal op-ed.

- In December 2007, at an event to mark the debut of the AEI Legal Center for the Public Interest, AEI held the Gauer Distinguished Lecture in Law and Public Policy at the Ronald Reagan Building and International Trade Center in Washington. Christopher Cox, chairman of the Securities and Exchange Commission, delivered an address on “The Rise of Sovereign Business.”

- In September, D.C. Circuit Court of Appeals Judge Douglas H. Ginsburg delivered the 2008 Gauer Lecture on antitrust law as a case study of continuity and change in the Supreme Court.

- Ted Frank authored Liability Outlooks this year on the role of Congress in patent litigation reform, the danger of “reviver” legislation that retroactively changes the law, and an unwise bar association proposal to subsidize legal representation in civil cases.

"AEI’s scholars and fellows have contributed valuable scholarship on many of the central public policy issues of our time.”

—Attorney General Michael B. Mukasey

- Several legal theorists offered perspectives on the future structure of American federalism at a September conference.

AEI Fellows & Scholars

Senior Fellow Emeritus Irving Kristol received the nation’s highest civilian award, the Presidential Medal of Freedom, in 2002. He founded the influential journals The Public Interest and The National Interest, and his many books include Two Cheers for Capitalism (1978) and Neoconservatism: The Autobiography of an Idea (1995). Mr. Kristol is the namesake of AEI’s most prestigious honor, the Irving Kristol Award.

Desmond Lachman is a resident fellow at AEI who researches the major emerging market economies and the role of the multilateral lending institutions. His particular focus in recent years has been on the U.S. housing market and subprime lending sector. His articles have appeared in numerous publications worldwide, including the Financial Times, the Australian Financial Review, Brazil’s Gazeta Mercantil, Germany’s Handelsblatt, France’s Le Echo, The International Economy, and the Washington Post.

Resident Fellow Lee Lane joined the Institute in 2008 as codirector of the AEI Geoengineering Project. He researches the economic and political issues raised by climate engineering technologies that may counteract the effects of global warming. Previously the director of the Climate Policy Center, Mr. Lane’s most recent book is Strategic Options for Bush Administration Climate Policy (AEI Press, 2006).

Visiting Scholar Adam Lerrick studies international capital markets, international financial crises, sovereign debt restructuring, and economic development. He is currently the Friends of Allan H. Meltzer Professor of Economics and the director of the Gailliot Center for Public Policy at Carnegie Mellon University, as well as an adviser to the Joint Economic Committee. His work has appeared in the Wall Street Journal, Cato Journal, and the Financial Times.
Legal and Constitutional Studies, continued

Judge William Pryor of the Eleventh Circuit Court of Appeals gave the keynote address. Other speakers included Jonathan Adler of Case Western Reserve University School of Law, Randy Barnett of the Georgetown University Law Center, Michael S. Greve, Thomas P. Miller, and Ilya Somin of the George Mason School of Law.

Mr. Greve moderated a May event at which Thomas O. Barnett of the Department of Justice, the Federal Trade Commission’s Randolph W. Tritell, and Theodore W. Ullyot of Kirkland & Ellis weighed the impact of international antitrust regulation and debated the wisdom and necessity of U.S. action to protect American business and strengthen the foundations of free trade.

At a May event moderated by Mr. Frank, Michael Perino of St. John’s University School of Law presented his paper on the Milberg Weiss prosecution—published as part of the AEI Legal Center’s Briefly series—which examined objectively the validity of the indictment of securities class actions firm Milberg Weiss Bershad & Schulman. Mr. Perino’s Briefly was cited by the New York Sun, Legal Times, the New York Times, the Washington Examiner, and others in coverage of the trial.

Martin Lipton of Wachtell, Lipton, Rosen & Katz authored a popular Briefly on significant issues facing boards of directors in 2008. It was widely requested by and distributed to major corporations.

In January, John E. Calfee moderated a panel on pharmaceutical company Merck’s settlement over its drug Vioxx. Panelists, including Mr. Frank and a member of the plaintiffs’ steering committee, addressed why Merck settled and whether the settlement will cost more than expected.

Panelists at a May conference discussed the legal and regulatory framework of “off-label” prescribing. For more on this event, see page 25 of this report.

The Legal Center cosponsored a Transatlantic Law Forum on citizenship in Europe and the United States. For more about this event, see page 19.

In March, Steven M. Teles of the University of Maryland presented The Rise of the Conservative Legal Movement (Princeton University Press, 2008), in which he explores how conservatives built a robust legal infrastructure and what lessons liberals might take from it. Jack Balkin of Yale Law School and Mr. Greve commented.
Politc and Public Opinion Studies

"Newt Gingrich has, in the nine years since he stepped aside as speaker of the House of Representatives, made truly extraordinary contributions to American political dialogue. This book, Real Change, is, I think, his most important to date. Newt has done a wonderful job and set a very high standard with this book."

—Christopher DeMuth

AEI’s Election Watch series, the longest-running election program in Washington, returned in December 2007. In ten sessions throughout the year, regular panelists Michael Barone, Karlyn Bowman, John C. Fortier, and Norman J. Ornstein followed the ups and downs of the election campaign. AEI and the Brookings Institution brought back the “How Would They Govern?” series, hosting events during the party conventions in Denver and Minneapolis to assess how the candidates would lead. Speakers included Senators Amy Klobuchar (D-Minn.) and Jon Kyl (R-Ariz.) and former senators Tom Daschle (D-S.D.) and Gary Hart (D-Colo.).

In February, AEI and Brookings held a day-long conference on election demographics examining seven important trends that could affect the 2008 and future elections. Academic authorities discussed age, religion, suburban-rural divides, class, generation gaps, family changes, and population clustering patterns to indicate where our politics may be headed. In the Wall Street Journal, conference organizers Ms. Bowman and Brooking’s Ruy Teixeira outlined key trends in political life, including the rising influence of Hispanics, the declining influence of married voters, and the shrinking of the white working class’s political role.

In honor of the twenty-fifth anniversary of two of Ronald Reagan’s March 1983 speeches, which made decisive contributions to bringing about the eventual dissolution of the Soviet Union, Newt Gingrich reflected on the lessons they hold today for presidential leadership and U.S. national security. When Barack Obama challenged America to a national dialogue on social failures in March 2008, Mr. Gingrich responded with a speech documenting the destructive cost of bad government and left-wing ideologies, especially for the urban poor.

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AEI Fellows & Scholars

Resident Scholar Philip I. Levy studies international trade policy, U.S. foreign assistance and economic development policy, and globalization. He was previously a senior economist for trade at the President’s Council of Economic Advisers and a member of the policy planning staff at the State Department. Mr. Levy’s writing has appeared in the Wall Street Journal and on Forbes.com, National Review Online, Business Week.com, and The American’s online edition.

Visiting Scholar Lawrence B. Lindsey studies tax policy, monetary policy, international economic development, and fiscal policy. He is a former assistant to the president for economic policy and director of the National Economic Council at the White House. Mr. Lindsey’s books include Economic Puppetsmaster (AEI Press, 1999) and, most recently, What a President Should Know . . . but Most Learn Too Late (2008, with Marc Sumerlin). Mr. Lindsey’s articles have appeared in the Wall Street Journal, the Washington Post, and The Weekly Standard.

Visiting Scholar John H. Makin studies international finance and financial markets; the U.S., Japanese, and European economies; and monetary policy. He is the author of a number of books, including Debt and Taxes: How America Got into Its Budget Mess and What to Do about It (1994, with Norman J. Ornstein). Makin writes AEI’s Economic Outlook, in which he probes the strengths and weaknesses of the U.S. and global economies by examining topics as diverse as recession forecasting, Japan’s “lost decade,” and the Federal Reserve.

Harvey C. Mansfield of Harvard University joined AEI in fall 2008 as a visiting scholar. One of America’s foremost authorities on political philosophy, Mr. Mansfield received the National Humanities Medal in 2004. His books include Taming the Prince: The Ambiguity of Modern Executive Power (1980), an acclaimed translation of Alexis de Tocqueville’s Democracy in America (2000), and Maxilience (2006). He delivered a fall 2008 Bradley Lecture on Tocqueville and the idea of rational control.
Political and Public Opinion Studies, continued

- AEI’s monthly Political Report keeps tabs on election dynamics, public opinion, and political trends. Ms. Bowman regularly updates her series of Public Opinion Studies of polls on the Iraq war, the war on terrorism, free trade, taxes, economic insecurity, social issues, and the environment.

- The AEI-Brookings Election Reform Project, codirected by Mr. Ornstein, synthesizes scholarly research on the subject and makes it useful to policymakers. At an Election Reform Project symposium moderated by Mr. Fortier, Edward Foley, Steven Hufner, and Daniel Tokaji of Ohio State University presented From Registration to Recounts: The Election Ecosystems of Five Midwestern States (Ohio State, 2007). The authors evaluate how well our election system can handle another nail-biter like Florida in 2000.

- David Frum’s newest book, Comeback: Conservatism That Can Win Again (Doubleday), appeared in December 2007. Arguing that Republicans have stumbled by campaigning on issues that have lost their salience, Mr. Frum proposes a new agenda for the conservative movement. Mr. Barone spoke at the book forum for Comeback.

- In the bestselling Real Change: From the World That Fails to the World That Works (Regnery, 2008), Mr. Gingrich proposed a substantive reform agenda for 2008 and beyond.

- To help the next president hit the ground running, former top White House advisers Lawrence B. Lindsey and Marc Sumerlin released What a President Should Know . . . but Must Learn Too Late (Rowman and Littlefield, 2007). The book consists of memos to the new president dated January 20, 2009.

- Senior fellow Ben J. Wattenberg published his most recent book in July: Fighting Words: A Tale of How Liberals Created Neo-Conservatism (St. Martin’s). Mr. Wattenberg traces the emergence of the neoconservative movement from its earliest roots among Cold War intellectuals to its political successes in the 1980s and 1990s. He presented the book at a forum with Mr. Barone and E. J. Dionne of Brookings.

- In early June, Mr. Ornstein hosted the inaugural Nelson Polsby Congressional Conversation featuring Representatives Tom Davis (R-Va.) and Barney Frank (D-Mass.). The late Nelson Polsby, a distinguished political scientist, was a member of AEI’s Council of Academic Advisers.

AEI Fellows & Scholars

Research Fellow Aparna Mathur studies health economics, tax policy, and small businesses and bankruptcy. She has coauthored working papers on taxes and wages, middle class welfare, foreign direct investment and corruption, predicting tax reform, and carbon tax policy. Ms. Mathur has also contributed to National Review, The American, and BusinessWeek.com.


Visiting Scholar Allan H. Meltzer is the Allan H. Meltzer University Professor of Political Economy and Public Policy at Carnegie Mellon University. His research addresses monetary policy and history, tax and budget issues, international finance, and financial services. He headed the International Financial Institutions Advisory Commission, better known as the “Meltzer Commission,” which proposed far-reaching reforms to the International Monetary Fund and the World Bank. Mr. Meltzer is completing a sequel to his award-winning tome A History of the Federal Reserve System, Volume I: 1913–1951 (2002).

Thomas P. Miller is a resident fellow in health policy studies. Previously a senior health economist at Congress’s Joint Economic Committee, he studies health information, consumer resources, interstate insurance competition, high-cost health insurance claims, and health care regulation. In a 2008 On the Issues, he argues that presidential candidates, policymakers, and the public do not yet want to deal with Medicare’s fundamental problems.
Frederick M. Hess hosted a series of speeches by big-city school superintendents this year. Michelle Rhee, the chancellor of the District of Columbia schools, spoke at a February event on urban school reform. Ms. Rhee has gained a national profile for aggressive measures to instill personal accountability, attract top talent, and reengineer school administration in Washington’s troubled public schools. Mr. Hess was nominated in April to serve as one of two independent evaluators conducting a long-term study of the effectiveness of D.C. public school governance.

At the second event in this series, in June, New York City schools chancellor Joel I. Klein offered a data-driven defense of his aggressive empowerment and accountability strategies. Under Mr. Klein’s leadership, New York City has started dozens of small high schools, created an autonomy zone for high-performing schools, encouraged the formation of charter schools, and overhauled the department’s human resources and information technology systems.

Lobbing another iconoclastic salvo into the education debate, Charles Murray published Real Education: Four Simple Truths for Bringing America’s Schools Back to Reality (Crown Forum) in August. Developing themes expressed in his series of Wall Street Journal essays in 2007, Mr. Murray offers four controversial propositions: children’s intellectual abilities vary, half of the children are below average, too many people are going to college, and the future depends on how we educate gifted children. He urges adopting a more productive system that gives children a basic liberal education and helps them find a vocation that they like and at which they can do well.

In 2008, Mr. Hess’s Education Outlook series covered teacher labor agreements, the twenty-fifth anniversary of A Nation at Risk, education research, and the merits of mayoral control for urban schools.

Speakers at an October conference presented original research tracing judicial involvement in and supervision of K–12 education from Brown v. Board of Education in 1954 to Morse v. Frederick (the “Bong Hits 4 Jesus” case) in 2007.


In March, AEI hosted several panels on what to do about the nation’s worst schools. Looking at how past restructuring efforts have worked, Mr. Hess and panelists from public schools, education nonprofits, the U.S. Department of Education, and elsewhere examined obstacles in implementation and policy.

Mr. Hess moderated a January panel on the merits of a U.S. Public Service Academy. Academy founder Chris Myers Ash made his case, and distinguished academics—including Philip I. Levy and George Washington University president emeritus Stephen Joel Trachtenberg—offered pros and cons. Messrs. Levy and Ash continued the debate in a two-part working paper on the subject for AEI’s Future of American Education Project.

As a number of scandals involving university presidents, financial aid offices, and trustees emerged in recent years, a panel of experts at an AEI event recommended that boards of trustees take on a greater oversight role and become more transparent. Speakers included Benjamin Lawsky of the New York attorney general’s office and Dartmouth College trustee Stephen Smith.

At a March event, Mr. Hess and Thomas B. Fordham Institute president Chester E. Finn Jr., who together edited the 2007 AEI Press book No Remedy Left Behind: Lessons from a Half-Decade of NCLB, examined with other participants what education issues historically have influenced presidential elections and how the results of the 2008 presidential race might affect education reform efforts.

Andrew Rosen of Kaplan, Oklahoma State University’s Vance Fried, Mark Pelesh of Corinthian Colleges, Jane McAuliffe of Bridgepoint Education, SUNY-Albany’s Daniel Levy, and AEI visiting scholar Richard Vedder spoke at a June panel on solutions to the rising costs of college, including the increasing availability of for-profit higher education.
In *Gross National Happiness* (Basic Books, 2008), incoming AEI president Arthur C. Brooks examines evidence and empirical research to ascertain who in America is happy, who is not, and—most importantly—what makes them so. Sally Satel, M.D., and Steven F. Hayward joined Mr. Brooks, Jonathan Haidt of the University of Virginia, and the Cato Institute’s Will Wilkinson at a May book forum.


AEI held a conference in honor of the renowned historian Robert Conquest, who in 1968 published *The Great Terror*, the first major Western account of Stalin’s purges in the 1930s. Mr. Conquest himself spoke at the event, as did Paul Hollander of the University of Massachusetts at Amherst, Lee Edwards of the Heritage Foundation, author Ibn Warraq, Nicholas Eberstadt, and resident scholar emeritus Mark Falcoff.

In *No One Sees God: The Dark Night of Atheists and Believers* ( Doubleday, 2008), Mr. Novak recasts the recent spirited debate over the existence of God by arguing that both believers and atheists experience similar feelings of doubt. Mr. Novak presented his book at a September forum, joined by Christina Hoff Sommers and Jonathan Rauch of the Brookings Institution.

At a May event, Michael Shermer of *Skeptic* magazine and William D. Phillips of the University of Maryland squared off on the issue of religious faith in an age of staggering scientific advances. Mr. Novak, Henry Olsen, and the John Templeton Foundation’s Gary Rosen also spoke.

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Ms. Sommers addressed the history of feminism in the July/August issue of *The American Spectator*, writing that classical—not radical—feminists are responsible for women’s gains and that they hold the best promise of improving the lives of women in the Islamic world. She also criticized attempts to enforce rigid gender parity in science and math in *The American’s* March/April issue. She and Charles Murray will publish papers from their fall 2007 conference on science and gender.


At a January event, Alvin Roth of Harvard University presented a paper on repugnance as a constraint on markets. Dr. Satel and Mr. Novak commented on the extent to which distaste for certain practices, such as buying organs, creates constraints that are just as serious as regulatory barriers.

Douglas J. Besharov moderated an August event assessing the Census Bureau’s 2008 poverty numbers. Desmond Lachman was among the panelists.

Mr. Eberstadt published *The Poverty of “The Poverty Rate”: Measure and Mismeasure of Want in Modern America* (AEI Press) in October. He argues that the official poverty rate does not take increased standards of living into account and therefore offers a distorted—and unduly pessimistic—view of well-being in the United States.

Judge Danny Boggs of the Sixth Circuit Court of Appeals delivered a Bradley Lecture in April on the extent to which the death penalty is treated differently by the courts.

David Gelernter delivered a Bradley Lecture in May. He argued that the religious fault lines of World War II ran against the military alliances, with Nazi Germany more similar to Soviet Russia and both of them in a religious conflict with the Judeo-Christian West.

Leon R. Kass, M.D., and Eric Cohen of the Ethics and Public Policy Center took a look at issues underlying steroid use in a *New Republic* article this spring.

### AEI Fellows & Scholars

**Michael Novak** is the George Frederick Jewett Scholar in Religion, Philosophy, and Public Policy at AEI. His research focuses on the three systems of the free society: the free polity, the free economy, and the culture of liberty. The most recent of his nearly four dozen books is *No One Says God* (2008), in which he acknowledges the complicated reality of the human struggle with doubt. Mr. Novak is also the author of *The Universal Hunger for Liberty: Why the Clash of Civilizations Is Not Inevitable* (2004) and the landmark book *The Spirit of Democratic Capitalism* (1982).

**Henry Olsen** is a vice president of AEI and director of the National Research Initiative (NRI). He disseminates and publicizes the institute’s work to the academic community; works with AEI’s visiting, adjunct, and NRI fellows; commissions and supervises NRI projects; and oversees the production of NRI publications. In 2008, Mr. Olsen published several essays in the *Wall Street Journal*.


A former assistant secretary of defense for international security policy, Resident Fellow **Richard Perle** is a leading authority on national security, military requirements, arms proliferation, and the Middle East. He is the coauthor of *An End to Evil: How to Win the War on Terror* (2003, with David Frum).
The research conducted by AEI’s scholars and fellows is intended to have a practical effect: to achieve sensible and effective public policies. It is essential that the Institute be able to communicate its findings to those in positions to act upon the research and to those concerned with the topics it addresses. Therefore, AEI invests in marketing, government relations, academic relations, media contacts, and publications as part of its outreach efforts.

The following pages illustrate how AEI contributes to public policy discourse. AEI distributes a monthly newsletter, online summaries of its conferences and books, and On the Issues—a series of the best general-interest articles by its scholars. The Institute also publishes seventeen Outlooks, a series of longer analytical essays on pressing policy issues. The Outlooks include monthly publications on developments in economics and financial services; a quarterly report on Russia; and frequent editions on Asia, Europe, Latin America, education, the environment and energy, economic development, health policy, liability law, and national security. This fall, AEI launched a new Outlook on international economics.

The Institute continues to improve its electronic communications, notifying thousands of AEI’s friends and subscribers about its latest activities through daily, biweekly, and periodic e-mail updates on its work in specific policy areas, including health, the economy, and foreign policy. In 2008, AEI initiated a series of conference reports, short summaries that provide the highlights of AEI events.

One of AEI’s main avenues of outreach is its website, which had more than 1.5 million visits in the first eight months of 2008. AEI.org visitors can learn about and contact the Institute’s scholars; read and download op-eds, reports, books, and event transcripts; order AEI materials; view event multimedia; and register for conferences, e-newsletters, and other online content.

The AEI website also provides a way to reach potential donors—the individuals, foundations, and corporations that together provide more than 70 percent of the Institute’s support. The website highlights the Institute’s planned giving arrangements, which enable donors to achieve personal and family financial goals while supporting current and future endeavors for AEI. The website also provides access to the Associates Program, an introductory donor program that allows members to tap into the same intellectual resources upon which many government officials, business executives, and journalists rely.

AEI has several areas of outreach targeted toward the academic community. In addition, the Institute has an eleven-member Council of Academic Advisers, chaired by Pepperdine University political scientist James Q. Wilson, that advises AEI’s president on the Institute’s research agenda, publications, and appointments. The council selects the recipient of the Irving Kristol Award.

In the spring and summer of 2008 alone, the highly regarded AEI internship program hosted more than 116 interns from fifty-six colleges and universities.
**The AEI Press**

- The AEI Press has had an especially busy year, with a dozen new books and monographs appearing on timely topics.

- Most Americans believe air pollution has been getting worse and will continue to worsen in the future. Recent data, however, suggest just the opposite: air pollution levels have been dropping for decades and will continue to do so in the years to come. In *Air Quality in America: A New of Reality on Air Pollution Levels, Trends, and Health Risks*, Joel M. Schwartz and Steven F. Hayward examine key air pollution issues, including inflated accounts of pollution-related health risks and the negative effects of inaccurate emission inventories on policy choices.

- For *Dissent and Reform in the Arab World: Empowering Democrats*, Michael Rubin, Danielle Pletka, and Jeffrey Azarva commissioned essays from Arab reformers and activists who championed the causes of liberal democracy long before calls to try democracy in the Arab world ever reverberated in Western capitals. The contributors dispel the notion that the Arab world is infertile ground for democracy.

- In *Deconstructing the Republic: Voting Rights, the Supreme Court, and the Founders’ Republicanism Reconsidered*, political scientist Anthony A. Peacock contends that the Voting Rights Act, as currently implemented, undermines the Founders’ vision of American government, which rests on the idea that individual citizens can choose their representatives based on public debate and argument—without regard to their race, creed, or class—and replaces it with judicially mandated multicultural politics.

- The specter of the growing Medicare shortfall raises questions about how to make the program sustainable. Two volumes in AEI’s Studies on Medicare Reform series offer possible solutions. In *Markets Without Magic: How Competition Might Save Medicare*, Mark V. Pauly suggests a voucher system to enhance choice for consumers and limit the runaway growth of the program. Vouchers, he says, could provide full coverage for the poor and a minimum level of coverage for all seniors. In *How to Fix Medicare: Let’s Pay Patients, Not Physicians*, Roger Feldman proposes to replace traditional Medicare with a “medical indemnity” system. Under Mr. Feldman’s proposal, Medicare would pay each patient a fixed amount of money, while patients, in turn, would select their own medical services from providers who would set their own competitive rates.

**AEI Fellows & Scholars**

*Ioana M. Petrescu* is a National Research Initiative Fellow at AEI. She is currently studying the deterrent and humanitarian effects of economic sanctions and the effectiveness of tax policies in countries with high tax evasion. Her fields of specialization are public economics, the economics of national security, international economics, and development economics.

*Tomas J. Philipson* joined AEI in 2008 as a visiting scholar. A professor at the Harris Graduate School of Public Policy at the University of Chicago, Mr. Philipson is the author of *Innovation and Technology Adoption in Health Care Markets* (AEI Press, 2008, with Anupam B. Jena). At AEI, he researches the economics of drug development and health care trends and inequality in the United States.

*Daniele Pletka* is vice president for foreign and defense policy studies at AEI, overseeing the Institute’s research, publications, seminars, and conferences concerned with defense, security, and foreign policy issues. Her research focuses on the Middle East, South Asia, terrorism, and weapons proliferation. She has published articles on these topics in a variety of publications. Most recently, Ms. Pletka coedited *Dissent and Reform in the Arab World: Empowering Democrats* (AEI Press, 2008) and contributed to the AEI report *Iranian Influence in the Levant, Iraq, and Afghanistan*.

*Alex J. Pollock* is a resident fellow at AEI. He is a graduate of Colorado College and the University of Virginia School of Law. Most recently, he was executive director of the Federal Housing Enterprise Financial Assurance Corporation (FHEACH). From 2007 to 2008, Mr. Pollock was a senior fellow at AEI. In 2008, he was a resident fellow at AEI. He has written extensively on the housing crisis.
Religion and the American Future, edited by Christopher DeMuth and Yuval Levin, looks at the sources of the enduring strength of religion in public life. Contributors Michael Novak, John C. Green, Leon R. Kass, M.D., Douglas W. Kmiec, Roger Kimball, and Marcello Pera examine the future of religion in America by contemplating the relationship of religion to the secular realms of politics, science, law, and art.

The stresses on American ground troops in the Middle East are well known. In Ground Truth: The Future of U.S. Land Power, Thomas Donnelly and Frederick W. Kagan describe how program cutbacks of the Clinton years and the Bush administration’s failure to foresee the need for larger ground forces in the wake of 9/11 have undercut America’s ability to fight the “Long War.” They provide a blueprint for revitalizing the U.S. Army and Marines, answering important questions about the ideal size and configuration of the force and how much will it cost.

Hundreds of thousands of people in the developed and developing worlds die each year from counterfeit pharmaceuticals. In Making a Killing: The Deadly Implications of the Counterfeit Drug Trade, Roger Bate examines the burgeoning global trade in bad drugs and urges greater cooperation between wealthy and poor nations to quash the problem. Mr. Bate calls for fortified policing resources, harsher penalties for counterfeiters, widespread public education, and consumer vigilance against this danger.

In Why Groups Go to Extremes, based on his 2007 AEI Center for Regulatory and Market Studies Distinguished Lecture, Cass R. Sunstein writes that extremism has its origins in like-minded individuals discussing issues, thus reinforcing their own preexisting views. He also suggests ways to mitigate extremist tendencies.

Anupam B. Jena and Tomas J. Philipson warn in Innovation and Technology Adoption in Health Care Markets that government cost-cutting imperatives may imperil the innovation and experimentation that have led to ground-breaking medical discoveries—an especially potent concern as government spending constitutes a growing share of U.S. health care spending.

Are the poorest Americans making as little progress as the official figures suggest? Nicholas Eberstadt finds in The Poverty of “The Poverty Rate”: Measure and Mismeasure of Want in Modern America that poor Americans are better off materially than the official poverty rate otherwise indicates. He calls for a new way of measuring material well-being that is not tied merely to income.

AEI has embarked on a project to scan every single book from the AEI Press, dating back to the Institute’s early days, and offer them free for download on AEI.org as part of the AEI Classics series. These many volumes—which include a debate over income tax progressivity and a young Dr. Kass’s reflections on the ethical dimensions of in vitro fertilization—display the staying power of AEI scholars’ research.
**National Research Initiative**

- Since its establishment in 2002, AEI’s National Research Initiative (NRI) has supported original and innovative research by university-based academics and independent scholars. The projects described on these pages are supported by NRI. The initiative is directed by AEI vice president Henry Olsen.

- A number of distinguished academics joined the Institute in 2008 as visiting scholars through NRI. Tomas J. Philipson researches health economics and is writing a book on the impact of trends in health care on understanding income inequality. David A. Weisbach works on tax policy, with a focus on carbon taxes. David Schoenbrod researches environmental law and policy. Richard Burkhauser is writing an AEI Press book about reforming America’s disability insurance programs. Lawrence M. Mead is working on developing government-supported men’s work programs without creating a new mass entitlement.

- NRI organizes a number of major conferences every year, many of which are described throughout this report. Former NRI Fellow John L. Chapman organized a conference in November 2007 on private equity. An NRI conference in January examined electricity deregulation in Texas. At a February conference, Messrs. Olsen and Burkhauser, Kenneth P. Green, and others examined market-based reform policies that Western European and Scandinavian countries have implemented to address pressing policy challenges.

- NRI hosted several panels this year at which university-based academics presented emerging research. Nicholas Eberstadt hosted an NRI event on a new paper by Harvard economist Rafael Di Tella. Economic consultant Stephen J. Rose presented a paper arguing that the middle class has benefited immensely from economic growth, improved standards of living, and labor market transformation.

- Much of NRI’s work focuses on education, including the Future of American Education Project launched in December 2007 and codirected by Mr. Olsen and Frederick M. Hess. Mr. Hess, Robert Maranto of the University of Arkansas, and Villanova University’s Richard Redding organized a conference in November 2007 on ideological bias on college

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**AEI Fellows & Scholars**

- **Resident Scholar Vincent R. Reinhart** researches monetary policy, global financial markets, international trade, and the U.S. economy at AEI. He was formerly director of the Division of Monetary Affairs at the Federal Reserve Board and a member of the Federal Open Market Committee. His articles have appeared in the Wall Street Journal, the Washington Post, and The American’s online edition.

- **Jason Richwine** is a National Research Initiative Fellow at AEI. His primary research focus is in applying the science of mental ability to better inform policy on a variety of issues, including immigration, race relations, education, and welfare.

- **Resident Scholar Michael Rubin** studies Middle East policy, focusing on domestic politics in Iran, Iraq, and Turkey; Kurdish society; and Arab democracy. He is the coeditor of Democrat and Reform in the Arab World: Empowering Democrats (AEI Press, 2008), co-author of Eternal Iran: Continuity and Chaos (2005), and author of Into the Shadows: Radical Vigilantes in Khatami’s Iran (2001). Mr. Rubin is a frequent contributor to AEI’s Middle Eastern Outlook series, and he is the editor of the Middle East Quarterly.

- **Sally Satel, M.D.** is a resident scholar at AEI and a practicing psychiatrist. She studies organ transplants and drug and mental health policy. Dr. Satel’s essays have appeared in medical journals and in the Wall Street Journal and the New York Times. Her most recent book is When Abortion Isn’t Enough: The Case for Compensating Kidney Donors (AEI Press, forthcoming), The Health Disparities Myth: Diagnosing the Treatment Gap (AEI Press, 2006, with Jonathan Klick), and One Nation under Therapy (2005, with Christina Hoff Sommer).
campuses, lack of opportunities for talented conservative undergraduates to pursue doctorates, and discrimination against conservative professors at tenure time. Other speakers included James Ceaser of the University of Virginia, Peter Wood of the National Association of Scholars, and Christina Hoff Sommers.

Visiting scholar Richard Vedder hosted a conference in February on the growth and role of university endowments. In the Washington Post, Mr. Vedder wrote that the hoarding of endowments is one of many problems with higher education today.

Jonah Rockoff of Columbia Business School presented a paper on whether mentoring programs improve new teachers. Kevin A. Hassett moderated. Marcus Winters of the Manhattan Institute presented a study of the extent to which Florida’s emphasis on “high-stakes” subjects like reading and math affects proficiency in subjects like science and art. The event was moderated by Mr. Olsen.

NRI also hosts forums to discuss the books that result from research underwritten by the Initiative. Joel M. Schwartz and Steven F. Hayward presented their AEI Press book Air Quality in America: A Dose of Reality on Air Pollution Levels, Trends, and Health Risks at a February forum.

Yale law professor Peter Schuck and Pepperdine political scientist James Q. Wilson presented their new collection, Understanding America: The Anatomy of an Exceptional Nation (PublicAffairs, 2008), at an April book forum. Several of the book’s contributors—including Martha Bayles, Arthur C. Brooks, and Orlando Patterson—were on hand to comment on what sets this country apart in the world.

Mr. Brooks, the incoming AEI president who first joined the Institute through NRI, spoke at a book forum for his new textbook, Social Entrepreneurship: A Modern Approach to Social Value Creation (Prentice-Hall, 2008), which applies entrepreneurial techniques to nonprofit and charitable enterprises. Mr. Brooks also spoke at a forum for his most recent book, Gross National Happiness (Basic Books, 2008).

Anthony A. Peacock of Utah State University presented his AEI Press book, Deconstructing the Republic: Voting Rights, the Supreme Court, and the Founders’ Republicanism Reconsidered. Mr. Hayward moderated the discussion of the judicial role in using the Voting Rights Act to institutionalize group-based politics in the Founders’ individualistic constitutional order.

NRI offers several fellowships for young academics at the start of their careers. NRI Fellows in 2008 included Mr. Chapman, Bruno Macaes, Ioana M. Petrescu, and Jason Richwine. Through its grants, conferences, and adjunct scholars program—there are now eighty-six adjunct scholars and fellows, hailing from thirty-eight universities and twenty-one other organizations—NRI connects the Institute to leading scholars across the country.

NRI also publishes Academics and AEI, a biweekly e-newsletter. This publication informs thousands of professors about the work their colleagues are doing in conjunction with AEI, including papers, conferences, and AEI Press books.

AEI scholars publish regularly in leading peer-reviewed academic journals. This year, their work appeared in the American Economic Review, Asia Policy, Economic Affairs, Health Affairs, the Journal of Economics and Finance, PLoS One, the Review of Litigation, and the Virginia Law Review, among others. The Institute’s economists regularly publish working papers through the National Bureau of Economic Research, a clearinghouse for top scholarship. AEI scholars also edit scholarly journals: Michael Rubin edits the Middle East Quarterly, and Mr. Hess is the executive editor of Education Next.
CONFERENCES

- At the Charles Wohlstetter Conference Center in the Institute’s headquarters in downtown Washington, D.C., government officials, scholars, business executives, and journalists discuss policy issues with the Institute’s research faculty. During the first nine months of 2008, AEI held more than 150 conferences, twenty-five of which were covered by C-SPAN. Visitors to AEL.org can view videos and highlight clips, download podcasts of most conferences, and read conference reports.

- Former Australian prime minister John Howard, perhaps Australia’s most successful modern leader, received the Irving Kristol Award at AEI’s annual dinner in March. In his lecture on keeping faith with the values shared by Australia and the United States, Mr. Howard said, “It is a powerful testament in the modern world that the values which unite nations create the most enduring bonds of all.”

- In honor of the twentieth anniversary of the Bradley Lecture Series, which explores the historical, cultural, and philosophical underpinnings of current controversies, AEI invited many of the speakers at the original series to return. The 2008–2009 series features an all-AEI cast of Charles Murray, Gertrude Himmelfarb, Harvey C. Mansfield, Leon R. Kass, M.D., Walter Berns, Michael S. Greve, Allan H. Meltzer, Leon Aron, Steven F. Hayward, and Christopher DeMuth.

- AEI has several other lecture series. The first Gauer Distinguished Lecture in Law and Public Policy hosted by the AEI Legal Center for the Public Interest, held in December 2007, featured Securities and Exchange Commission chairman Christopher Cox, who spoke on the rise of sovereign investment. The 2008 Gauer Lecture, held in September, was given by Judge Douglas H. Ginsburg of the D.C. Circuit Court of Appeals. He used antitrust law as a case study of continuity and change on the Supreme Court.

- In December 2007, the AEI Center for Regulatory and Market Studies Distinguished Lecture was delivered by Harvard Law School’s Cass R. Sunstein on the origins and dynamics of extremism.

- The AEI World Forum is held each June in Beaver Creek, Colorado. The twenty-seventh World Forum brought chief executives of many of the world’s largest companies together with senior foreign and domestic officials and AEI scholars to discuss issues of global significance.

AEI FELLOWS & SCHOLARS


David Schoenbrod joined AEI as a visiting scholar through the National Research Initiative in 2008. Mr. Schoenbrod is a professor of environmental law at New York Law School and has served as a senior staff attorney for the National Resources Defense Council. At AEI, he researches market-based approaches to pollution reduction.

Nick Schultz is AEI’s DeWitt Wallace Fellow studying media, technology, and politics. Since April 2008, he has been the editor-in-chief of The American magazine, which he helped launch in 2006. He was previously editor of TCS Daily, politics editor for FoxNews.com, and a producer of PBS’s Think Tank with Ben Wattenberg. Mr. Schultz’s articles have appeared in the Washington Post, the Wall Street Journal, the Los Angeles Times, USA Today, Slate, and other publications.

Visiting Fellow Joel M. Schwartz researches air pollution and chemical risks. The author of Air Quality in America: A Decade of Reality on Air Pollution Levels, Trends, and Health Risks (AEI Press, 2007, with Steven F. Hayward), he is a contributor to AEI’s Energy and Environment Outlook series and frequently writes articles for TCS Daily, National Review Online, and other publications. His previous book was No Way Back: Why Air Pollution Will Continue to Decline (AEI Press, 2003).
AEI scholars’ work is cited daily in the national media, and Institute scholars appear often on television, radio, and online media. Their work is also featured frequently in leading newspapers and magazines. Journalists beat a well-worn path to AEI conferences, and the press office regularly brings bureau chiefs, key reporters, and columnists together with AEI scholars to discuss important topics.

AEI events are often covered by major television networks. In the first three quarters of 2008, C-SPAN covered twenty-five conferences. Other networks broadcasting from AEI included ABC, CBS, NBC, Fox, CNN, the BBC, and Bloomberg Television. AEI scholars are frequent guests on television and radio programs. Michael Barone and Newt Gingrich are Fox News contributors, and Norman J. Ornstein both entertains and enlightens with his wry appearances on Comedy Central’s The Colbert Report. David Frum offers regular commentary for NPR’s Marketplace. Before leaving AEI to run for president in late 2007, former visiting fellow Fred Thompson broadcast a popular daily radio commentary. Senior fellow Ben J. Wattenberg continues to host Think Tank on PBS, now in its fourteenth season. In September, Mr. Wattenberg hosted the first annual Think Tank Tribute Dinner, which aired on PBS and was held in honor of Christopher DeMuth.

The pages of the nation’s largest newspapers regularly feature op-eds by AEI scholars. In the first three quarters of 2008, more than one hundred of their articles were published in the Wall Street Journal, the New York Times, and the Washington Post. The nation’s top papers publish far more op-eds by AEI scholars than by scholars from the other leading think tanks combined.

In a well-received speech in March, Mr. Gingrich responded to Barack Obama’s challenge for Americans to discuss the failure of government to help the poor. Mr. Gingrich warned about the destructive cost of bad government and bad culture, especially for the poor. Later, on Meet the Press, guest Tom Brokaw praised Gingrich’s “very eloquent speech at the American Enterprise Institute.”

In August, the New York Times cited Frederick W. Kagan’s first Choosing Victory report on the successful change of strategy in Iraq: “The idea . . . won additional support among some officials as a result of a detailed study by Gen. Jack Keane, the former vice chief of staff at the Army, and Frederick W. Kagan, a military specialist, that was published by the American Enterprise Institute.” NPR, the Washington Post, and other outlets have taken note of Mr. Kagan’s role in the strategy.

In addition to their frequent media appearances, many AEI scholars are columnists and editors in their own right. Mr. Barone is a senior writer and columnist for U.S. News & World Report and has a weekly column distributed by Creators Syndicate. Karlyn Bowman is a contributing editor of The American, and she writes polling features for the magazine’s website and for Forbes.com. John C. Fortier writes about U.S. politics and elections in Politico. Mr. Frum writes a regular column on U.S. and Canadian politics and foreign policy for Canada’s National Post; he is also a contributing editor of National Review. Mr. Kagan, David Gelernter, and Reuel Marc Gerecht are contributing editors of The Weekly Standard, and Mr. Gerecht is a correspondent for The Atlantic. Kevin A. Hassett writes a weekly column about the U.S. economy for Bloomberg.com, and he also writes a regular feature for National Review. National fellow Herbert G. Klein writes a column for Copley News Service. Mr. Ornstein applies his intimate knowledge of Congress to his weekly Roll Call column.

AEI scholars also author or contribute to a number of blogs. Mr. Barone writes a blog for USNews.com. Andrew G. Biggs writes Notes on Social Security Reform, at which he tracks news, commentary, and analysis of the retirement program. Ted Frank blogs at Overlawyered and PointofLaw.com. Mr. Frum blogs for National Review Online, and Steven F. Hayward occasionally writes for the Ashbrook Center’s No Left Turns blog. Visiting scholar N. Gregory Mankiw writes a widely read economics blog.
**The American**

- Now in its second full year, the Institute’s bimonthly magazine, *The American*, continues to survey and illuminate American life and our nation’s role in the world through the lens of business and economics.

- In April, Nick Schulz was named editor-in-chief of *The American*. He previously was a senior editor and “Techno-Ideas” columnist for the magazine.

- In addition to its top-notch content, the magazine’s bold, glossy design sets it apart among the nation’s think magazines. Its circulation is now approximately 50,000, and it is available in bookstores, airports, and major downtown newsstands. *The American’s* website, www.american.com, publishes new pieces daily on business, economics, and the political events that shape them. It has more than 200,000 unique visitors a month.

- Every issue of *The American* features an interview with a corporate leader. In 2008, the magazine profiled David DeLorenzo of Dole, who said that there is no disconnect between profitability and respect for the environment; Geoffrey Allan of Insmed, who encouraged competition for biologic drugs; Scott McGregor of Broadcom, who finds it difficult to meet his high-tech company’s hiring needs in the United States; C. V. Starr’s Hank Greenberg, who offered his thoughts on topics from Eliot Spitzer to Mahmoud Ahmadinejad; and Genentech’s Susan Desmond-Hellman on the challenges facing the biotech sector. Former Intel CEO Andy Grove contributed a cover story in the July/August issue with an unconventional idea for using electricity to get rid of our dependence on oil.

- In 2008, *The American’s* cover stories included provocative looks at the globalization of sports, the gender wars in science education, the connection between money and happiness, solutions to the energy crunch, and the value of college.

- In each issue, *The American* features an economist under forty who is doing groundbreaking original research. In January, *The American* named Raj Chetty of the University of California, Berkeley, the winner of its Young Economist Award, a $100,000 research grant. Other regular features include the magazine’s “Q&A” section that separated fact from fiction on patents, charitable giving, the housing market, health insurance, and economic opportunity. “The American Scene” surveys new research in economics and public policy. A feature by Karlyn Bowman, “DataPoints,” examines public opinion.

**AEI Fellows & Scholars**


- Resident Fellow **Samuel thermstrom** is the director of the AEI Press and codirector of the AEI Geengineering Project. Mr. Thermstrom studies climate engineering and the science and politics of global warming. He is a contributor to AEI’s *Energy and Environment Outlook* series and has written widely on these issues elsewhere.

- Visiting Fellow **Bill Thomas** studies tax, trade, and health care policy; elections; and legislative and political processes. He represented California in the House of Representatives from 1979 to 2007 and served as chairman of the House Ways and Means Committee from 2001 until 2007. In 1998 and 1999, Mr. Thomas was cochairman of the National Bipartisan Commission on the Future of Medicare.

In an essay in the *Wall Street Journal* last fall, Christopher DeMuth wrote that “think tanks serve as storehouses of ideas, patiently developed and nurtured, waiting for the crisis when practical men are desperately seeking a new approach, or for the inspired leader who sees the possibilities of action before the crisis arrives.” In this manner, AEI scholars’ ideas are often taken up by policymakers and politicians. An example from 2008 is indicative. In a January presidential debate, former Massachusetts governor Mitt Romney noted Frederick W. Kagan’s work on the surge strategy: “As you know, many consider him one of the authors of the surge idea.” Mr. Kagan’s report on the surge has been accessed more than fifty thousand times on AEI.org. During the same debate, Senator John McCain (R-Ariz.) called for a one-page mortgage form along the lines of the one proposed by Alex J. Pollock early in 2007. “A mortgage [disclosure] should be one page,” Senator McCain said, “and there should be big letters at the bottom that say, ‘I understand this document.’” The Institute’s research has bipartisan appeal. According to Senator Joe Lieberman (I-D-Conn.), “It is thanks in no small measure to AEI that the surge happened.”

AEI scholars and fellows testify before congressional committees on average once a week when Congress is in session. Those offering testimony included Joseph Antos, who spoke about Medicaid to the House Subcommittee on Health; Roger Bate, who testified before the Senate HELP Committee twice, once about counterfeit pharmaceuticals and again about climate change’s challenge for public health; Alex Brill, who testified about an unemployment insurance extension before the House Subcommittee on Income Security and Family Support; John E. Calfee, who spoke before the House Oversight and Government Reform Committee on liability lawsuits related to federally approved drugs and devices and before the House Appropriations Committee on drug safety oversight; Ted Frank, who testified before the House Judiciary Committee on compensation for the health effects of September 11, 2001; Robert W. Hahn, who spoke before the Senate Commerce, Science, and Transportation Committee on the future of the Internet; Robert B. Helms, who testified before the House Subcommittee on Health about assisting states in providing health coverage during a downturn; Lee Lake, who spoke about geoengineering before the House Select Committee on Energy Independence and Global Warming; Lawrence B. Lindsey, speaking on the mortgage market to the Senate Finance Committee; Danielle Pletka, who testified about the United Nations mandate for Iraq before the House Foreign Affairs Committee and sanctions against Iran before the Senate Finance Committee; and Sally Satel, M.D., who addressed veterans’ mental health before the Senate Veterans’ Affairs Committee.

Many senior government officials spoke at AEI in 2008. Their visits are discussed throughout this report. Several key officials participated in AEI’s World Forum, including Vice President Dick Cheney. Many state and local officials regularly speak at AEI events as well. Foreign officials also routinely brief AEI conference-goers.

Several AEI scholars serve on government boards and commissions. Dan Blumenthal serves on the U.S.-China Economic and Security Review Commission. Nicholas Eberstadt continues to serve on the President’s Council on Bioethics. Mr. Antos is on the Congressional Budget Office’s Panel of Health Advisers. Joshua Muravchik and Michael Novak sit on the State Department’s Advisory Committee on Democracy Promotion. Peter J. Wallison is a member of the Securities and Exchange Commission’s Committee on Improvements to Financial Reporting.

In June, the Senate unanimously confirmed James K. Glassman as under secretary of state for public diplomacy. The longtime AEI senior fellow had previously chaired the Broadcasting Board of Governors and founded *The American*.

AEI scholars regularly brief senior officials. AEI’s government relations office routinely hosts informal policy briefings, dinners, and forums for government officials to meet with AEI scholars and fellows.
HOW TO SUPPORT AEI

- AEI’s accomplishments, well documented in the pages of this report, are made possible only with substantial investments from individuals, businesses, and foundations. Because the Institute does not accept government funds and maintains a smaller endowment than other large research institutions, AEI must raise the vast majority of its operating budget from annual private donations. The fact that AEI has been able to grow and flourish is a testament not only to the power of its ideas, but also to the willingness of its friends to provide the kind of financial support that makes the Institute’s work possible.

- Individual donors are the Institute’s largest base of support; more individuals supported AEI in 2007 than in any previous year in the Institute’s history. In 2007, individual donors attended AEI events across the country and in Washington, D.C.

- Foundations provided support for new research projects like “Exporting Entrepreneurship to the Developing World,” “The War in Afghanistan and NATO’s Future,” and “The Future of Red, Blue, and Purple America.” They also supported new resident scholars in programs on Japan studies, tax and retirement policy, and international economics.

- AEI has the most robust corporate relations program of any national think tank. Donors range from small family corporations to some of the world’s largest business firms, across a variety of industries. Institute scholars regularly meet with corporate executives for briefings and policy discussions.

- AEI supporters receive updates on our scholars’ latest research, invitations to public events and round-table discussions, AEI Press books, the Institute’s research studies, Outlooks and other publications, and more.

- The American Enterprise Institute is a public charity under section 501(c)(3) of the Internal Revenue Code, which means that donations to AEI receive maximum tax benefits. Donations may be in the form of cash, securities, stock, and matching gifts. Donors can also provide support for AEI’s research and programs through bequests and other forms of planned giving and endowment support.

- More information about donating to the Institute is available at www.aei.org/support/.
The American Enterprise Institute is grateful to the many supporters who have invested in the Institute’s efforts to translate learning and ideas into innovative solutions to our most difficult public policy problems. All of AEI’s research areas were larger and more robust last year than ever before.

Expenditures for the economics program, AEI’s largest study area, grew 7 percent to an all-time high of $7.8 million. Foreign and defense policy studies increased 13 percent to $5.7 million. Social and political studies, with substantially greater activity in the education area, grew 31 percent to its highest level ever: $5.5 million. The American, AEI’s flagship magazine, had gross expenses of $2.9 million in its first full year of operation. Adoption of FASB 158 during 2007 resulted in a one-time cumulative adjustment of $0.4 million.

AEI devoted more than 81 percent of its resources to direct support for its research, publications, and conferences. The only area of expenditure that fell from the previous year was management and fundraising, which declined 4 percent to $5.1 million.

Total 2007 operating revenues were $31.3 million. Additional commitments of $10.9 million were pledged to help build AEI’s permanent endowment but made no real contribution to 2007 operating revenues.

Investment revenues accounted for 21 percent of total operating revenues, which meant that AEI had to “go to market” for 79 percent of its revenues. That marketing effort brought a robust response from the individuals, foundations, and business firms that value AEI’s work. Total revenues were up more than 10 percent over the previous year.

As always, AEI is committed to transparent accounting of the resources it receives. In addition to required tax filings, a copy of the Institute’s audited financial statement is available to anyone who requests it.