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MESSAGE FROM THE CHAIRMAN AND PRESIDENT



Chairman Bruce Kovner and President Christopher DeMuth

This report summarizes an exceptionally intense and productive year at the American Enterprise Institute. From the war in the Middle East to the reform of health care policy, from global climate change to the changing role of religion in American culture and politics, AEI scholars contributed research, ideas, and reform proposals that tangibly improved public debate and the substance of government policy.

AEI's Iraq Planning Group, whose proposals led to a dramatic and successful transformation in U.S. military strategy in that beleaguered land, has received a great deal of well-deserved attention. But AEI research prompted specific improvements in many other areas as well—including life-saving reforms in malaria control and other international health efforts, better financial reporting using advanced information technologies, more realistic measures of poverty, and continued judicial progress in cabining the litigation explosion.

The Institute also published incisive critiques of the No Child Left Behind Act, federal preemption policies, and ominous developments in the regulation of pharmaceuticals and medical care—and contributed detailed proposals for better tax, regulatory, antitrust, health care, trade, and environmental policies. These assessments are producing more informed debate for the present—and, we trust, are laying the groundwork for more productive policies in the future. As ever, much of AEI's most influential work was addressed not to policy itself but

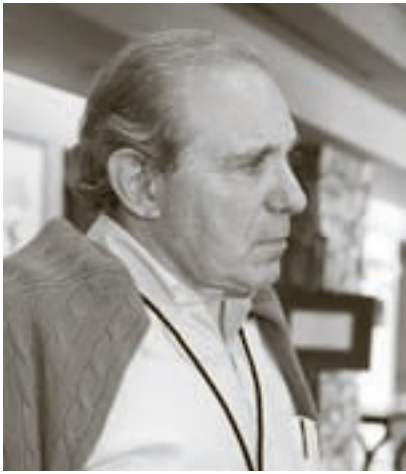
to important trends in culture and society, in economic well-being, and in domestic and international politics.

The quantity and quality of AEI's publications were high throughout 2007. The AEI Press had its busiest year ever editing, designing, and producing our books and monographs. We are now publishing fifteen *Outlooks*—periodic essays on subjects ranging from Latin America to school reform, ideally suited for electronic distribution to specialized audiences. Our magazine, *The American*, aimed beyond the Beltway to an audience of business and financial executives, completed a highly successful first year under Jim Glassman's superb editorial direction. The magazine's website, www.american.com, is one of several subdivisions of the main AEI website, which offers a cornucopia of research, conference videos, and fresh daily content and is now entering its fourth design phase, which will be launched in 2008.

And AEI scholars have done especially well when editorial judgments were made elsewhere. They appeared in the leading national newspaper and television media much more often than those of any other think tank, and published many commercial books that were widely reviewed and sold well (with at least one major bestseller, Ayaan Hirsi Ali's *Infidel*).

The year was one of many transitions and significant growth in all of our research divisions. We welcomed back to the Institute several colleagues who had served with tremendous distinction in senior government posts—John Bolton from the United Nations and the Department of State, Scott Gottlieb and Mark McClellan from the Food and Drug Administration and the Centers for Medicare and Medicaid Services, and Paul Wolfowitz from the World Bank and the Department of Defense. Bill Thomas, the redoubtable chairman of the Ways and Means Committee for many years, joined our ranks following his retirement from the House of Representatives, adding his rare combination of intellect and political know-how to our work on tax and trade policy.

And we were fortunate to attract two highly perspicacious economists from government service to



Roger Hertog; Tully M. Friedman, Friedman Fleischer & Lowe, LLC; and John V. Faraci, International Paper Company

AEI: Philip Levy, who had served as a senior economist at the President's Council of Economic Advisers and on the State Department's policy planning staff, and Vincent Reinhart, a twenty-four-year veteran of the Federal Reserve who, in recent years, was director of the Fed's Division of Monetary Affairs and secretary of its Open Market Committee.

As these examples suggest, AEI benefits significantly from the work of individuals who are not only academically gifted but knowledgeable about the inside mysteries (and frustrations) of government and politics. At the same time, the Institute is becoming an increasingly attractive home for scholars who in earlier times would have made their careers at universities. In 2007, one of America's leading young experts on Japan, Michael Auslin of Yale University, joined AEI as a resident scholar in our burgeoning Asian studies program. Arthur Brooks of Syracuse University, whose arresting work on social trends and attitudes is attracting growing national attention, became a visiting scholar. And polymath political analyst and author Michael Barone, a longtime member of AEI's extended family, moved in as a resident fellow to pursue research on U.S. political history and demographic trends (with, no doubt, many excursions into current politics during the 2008 elections and beyond).

We also note with sorrow the deaths of four cherished colleagues—one great practitioner of politics and three brilliant students of the art. Gerald R. Ford's stellar personal qualities have long been admired, and his many accomplishments as our thirty-eighth president are now widely recognized. His association with AEI began shortly after he entered Congress in 1948 and intensified when he and several of his top officials came to AEI when he departed the White House in 1977; his wisdom

and devotion to the public good have left a permanent mark on the Institute's work. Senior fellow Jeane Kirkpatrick had worked at AEI long before becoming one of the most admired women in American politics during the Reagan administration; her highly penetrating final book, *Making War to Keep Peace*, was published posthumously in April. Adjunct scholar Seymour Martin Lipset, whose scholarly landmarks included *American Exceptionalism: A Double-Edged Sword* and *Political Man: The Social Bases of Politics*, was coeditor of AEI's *Public Opinion* magazine in the 1970s and 1980s and remained active in our councils for many years thereafter. Nelson Polsby, a longtime member of the AEI Council of Academic Advisers, was the author of more than twenty original studies of American politics and political institutions, including the classic *Presidential Elections* (now in its eleventh edition) and his final work, *How Congress Evolves: Social Bases of Institutional Change*.

A final, impending transition is in the Institute's leadership. Chris DeMuth, who has been AEI's president since 1986, has announced his intention to relinquish his position before the end of 2008. (He will remain at AEI pursuing his own research and writing.) Think tanks such as AEI have become increasingly important institutions in American public life, but their succession procedures have remained relatively informal and underdeveloped. We believe that facing the succession issue now—on our own time, when AEI's work and finances are thriving—is the best approach to achieving a successful result and a useful precedent for the future. A careful search process is underway, and we anticipate a happy result well in time for AEI's next annual report.

BRUCE KOVNER
Chairman

CHRISTOPHER DEMUTH
President

ECONOMIC POLICY STUDIES

AEI was founded to study economic policy. The Institute's goal today is to explore how free economies function, how to build on their strengths, how to keep private enterprise lively, and how to address problems when they arise. Although the Institute has expanded the scope of its research programs over the years, economic policy studies remain at its heart.



AEI Press, 2007

Mutual funds today manage \$10 trillion in assets, more than the entire U.S. banking industry. Many Americans rely on mutual funds for their savings for retirement, college, and other long-term goals. Yet, as Competitive Equity argues, the current regulatory structure for mutual funds keeps costs for investors higher than they should be.

The problem is not too little regulation, but too much and of the wrong kind. The authors show how current government regulatory policy leads to de facto rate regulation by fund boards.

To restore competition, the authors recommend the creation of a new, alternative legal structure for collective investment, the "managed investment trust," which could eventually supplant traditional mutual funds, creating a more vibrant marketplace for investors.

"This book is essential reading for anyone who wishes to understand and evaluate the current regulatory regime in the mutual funds market. . . . Among the invaluable insights brought to our attention by this book is recognition that such an indefensible regulatory regime remains in the mutual funds industry."

—William Baumol, Harold Price Professor of Entrepreneurship and academic director of the Berkley Center for Entrepreneurial Studies in the Stern School of Business, New York University

AEI FELLOWS & SCHOLARS



Currently on sabbatical from the University of Virginia, Gerard Alexander is a visiting scholar at AEI. He is the author of *The Sources of Democratic Consolidation* (2002) and is currently researching the growth of government, America's policy of democratization, and the conditions for stable democracy. This year, he wrote several articles for *The Weekly Standard*, including one on the fiftieth anniversary of the signing of the Civil Rights Act.



Joseph Antos, the Wilson H. Taylor Scholar in Health Care and Retirement Policy, examines health care issues. His articles have appeared in *The American Economic Review*, *Health Affairs*, the *Journal of Econometrics* and the *Monthly Labor Review*. Mr. Antos is a contributor to AEI's *Health Policy Outlook* and is currently working on a book about the failure of Medicare reforms. He coedited with Alice M. Rivlin *Restoring Fiscal Sanity 2007: The Health Spending Challenge* (2007).

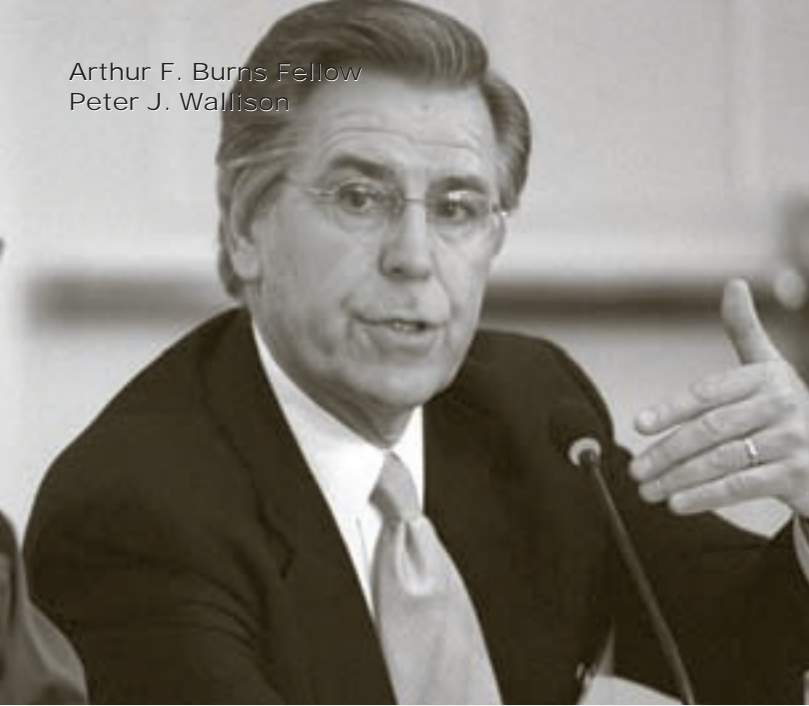


Resident Scholar Leon Aron is a leading expert on political and social developments in Russia and the other nations of the former Soviet Union. He is the author of the highly acclaimed 2007 AEI Press book *Russia's Revolution: Essays 1989–2006*, a collection of essays on the new Russia. Mr. Aron writes AEI's *Russian Outlook*, and his articles have appeared in the *New York Times*, the *Times* of London, the *Wall Street Journal*, and the *Washington Post*, as well as scholarly journals. His book *Yeltsin: A Revolutionary Life* was published in 2000.



Resident Scholar Michael Auslin joined AEI in July. A specialist on Japan, he studies U.S.-East Asian relations, Asian security, and Asia-Pacific multilateral organizations. Mr. Auslin was previously an associate professor of history at Yale University. He is the author of *Negotiating with Imperialism: The Unequal Treaties and the Culture of Japanese Diplomacy* (2004), which won the Heyman Prize for Outstanding Scholarly Publication in the Humanities, and *Japan Society: Celebrating a Century, 1907–2007* (2007).

Arthur F. Burns Fellow
Peter J. Wallison



Resident Scholar
Philip I. Levy



Resident Fellow
Alex J. Pollock



Senior Fellow
Kevin A. Hassett



Resident Scholar
Alan D. Viard



Editor-in-Chief of
The American
James K. Glassman



GENERAL ECONOMICS

■ Bill Thomas, former chairman of the House Ways and Means Committee, joined AEI as a visiting fellow in February. A longtime participant in AEI programs, Mr. Thomas now researches taxation, trade, and health care policy. Shortly after arriving at the Institute, he delivered the keynote address at an AEI conference on how President Bush's proposed tax deduction for health insurance would work. In December 2006, he spoke at a conference on tax havens and foreign direct investment in which Kevin A. Hassett and R. Glenn Hubbard also participated.

■ Federal Reserve monetary policy adviser Vincent R. Reinhart joined AEI in October as a resident scholar.

■ John H. Makin wrote *Economic Outlooks* this year on the role of the financial sector in wealth creation, the connection between profit growth and stock prices, the subprime lending bust, consumer spending, rising interest rates, the possibility of a recession, and global rebalancing.

■ The debate in Congress over the 2007 Farm Bill occasioned a major AEI research project, led by Bruce L. Gardner of the University of Maryland and Daniel A. Sumner of the University of California, Davis. They commissioned twenty-one working papers on various aspects of U.S. agriculture policy, from commodity supports to crop insurance, summaries of



Visiting Fellow Bill Thomas



Visiting Scholar John H. Makin

which AEI distributed to policymakers. AEI also hosted a conference in May to discuss the papers' recommendations.

■ AEI and the Urban-Brookings Tax Policy Center cosponsored a discussion of the alternative minimum tax (AMT) on tax day, April 16. Leonard Burman of Urban-Brookings presented a paper summarizing twenty-three proposals to address the AMT's spread. Alan D. Viard, who wrote a *Tax Policy Outlook* in November 2006 on the merits of the AMT versus the regular income tax, was a discussant. Alex Brill moderated.

■ AEI continues to sponsor research on the Sarbanes-Oxley Act (SOX). Cynthia A. Glassman, a Department of Commerce under secretary, spoke at a May conference on how SOX is affecting innovation and initial public offerings. She described the climate created by the act as "innovation-averse." Other veterans of financial markets observed how SOX is impeding innovation. Peter J. Wallison moderated the event.

AEI FELLOWS & SCHOLARS



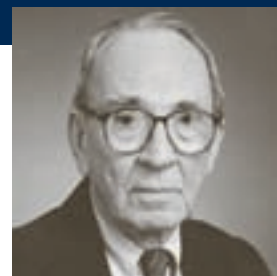
Resident Scholar Claude Barfield studies international trade policy, U.S. competitiveness, and science and technology policy. He is currently working on *The Eagle and the Dragon in Asia: The United States, China, and the Rise of Asian Regionalism*, a sequel to his earlier work *Tiger by the Tail: China and the World Trade Organization* (AEI Press, 1999, with Mark A. Groombridge). Mr. Barfield's most recent book is *Biotechnology and the Patent System: Balancing Innovation and Property Rights*, coauthored with John E. Calfee (AEI Press, 2007).



Michael Barone joined AEI as a resident fellow in August. He writes about American government and campaigns and elections, which he covers as a senior writer for *U.S. News & World Report*. He is the principal co-author 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, most recently, *Our First Revolution: The Remarkable British Upheaval That Inspired America's Founding Fathers* (2007).



Resident Fellow Roger Bate researches health and environmental policy in the developing world. He wrote eight of AEI's *Health Policy Outlooks* this year, focusing on pharmaceutical policy and on how international organizations impede sound health policy. He is currently working on an AEI Press book about counterfeit medicines. A contributor to *Economic Affairs*, the *Wall Street Journal*, and *The American*, Mr. Bate is the author of *All the Water in the World* (2006) and coauthor of *Malaria and the DDT Story* (2001, with Richard Tren).



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 Patriots* (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 seminars for AEI research assistants on Alexis de Tocqueville and Abraham Lincoln.

GENERAL ECONOMICS, *continued*

■ At an event in June hosted by Mr. Wallison, Kenneth Lehn, Leonce L. Barger, and Chad J. Zutter from the University of Pittsburgh presented original research on how SOX may be impairing corporate risk-taking. Mr. Wallison held a second conference on this issue in September with Kate Litvak of the University of Texas School of Law.

■ As the value of the dollar fell this year, AEI scholars monitored its effect on global economic health. In May, Desmond Lachman moderated a panel that featured Mr. Makin, former first deputy managing director of the International Monetary Fund Anne Krueger, and others on the fate of the U.S. dollar and actions the major industrialized nations could take to minimize the risk of a disruptive dollar decline.

■ Mr. Viard wrote *Tax Policy Outlooks* this year on the fiscal policy agenda of the 110th Congress, on how raising marginal tax rates on top income earners will impede capital formation, and on the tradeoffs of taxing those closer to retirement.

■ Messrs. Hassett and Brill released a working paper on maximizing revenue from corporate income taxes. Their research was cited by the *Wall Street Journal*, and Secretary of the Treasury Henry M. Paulson invited Mr. Hassett to join a July conference on corporate taxes and global competitiveness.

■ In March, Mr. Thomas introduced a panel discussion on the corporate capital gains tax at which speakers examined the tax and its effects on investment, property sales, and other economic decisions. Mihir A. Desai of Harvard Business School and Mr. Viard were among the panelists. Messrs. Hassett and Viard explored the taxation of corporate gains on sales of depreciable property in a subsequent article in *Tax Notes*.

■ Mr. Viard convened a February panel to discuss the FairTax, a proposal for a national retail sales tax to replace all other income and estate taxes. Boston University's Laurence Kotlikoff presented his findings on the revenue-neutral FairTax rate, which he computed to be 23.8 percent.

■ In November 2006, Mr. Viard participated in an AEI panel on the federal research tax credit, which was ultimately reauthorized by Congress. Panelists asked whether the credit has been an effective incentive and whether and how it should be redesigned.

Research Fellow Aparna Mathur



Visiting Scholar and Member of AEI's Council of Academic Advisers R. Glenn Hubbard, Martin Feldstein of Harvard University, and Chairman of the President's Council of Economic Advisers Edward P. Lazear

■ Mr. Viard and Victor Fleischer of the University of Illinois College of Law participated in a September panel on proposals to tax private equity fund managers at ordinary income tax rates rather than the lower capital gains rate. This summer, Messrs. Thomas and Brill contributed an article to *The American's* web edition on the issue.

■ In an AEI working paper, Mr. Hassett and Aparna Mathur offered a model for predicting the probability and effects of tax reforms. They also released an alternative approach to the Census Bureau's measure of middle-class economic welfare. Ms. Mathur cowrote a paper with Kartikeya Singh of PricewaterhouseCoopers on how perceptions of democracy and corruption affect foreign direct investment.

■ Mr. Hassett writes regular columns for *National Review* and Bloomberg.com in which he explores practical—sometimes whimsical—applications of his economic research. Among his topics in 2007 were middle-class economic insecurity, the value-added tax, energy policy, the 2008 presidential candidates' economic ideas, and the surprising economics of holiday gift-giving, Harry Potter, wine, and the NFL draft.

■ Steven J. Davis moderated a panel at which Richard Rogerson of Arizona State University presented his research on how higher tax rates may influence productivity and hours worked in Europe.

■ Speakers at a September event moderated by AEI visiting scholar Kent Smetters discussed whether the Social Security trustees have been too pessimistic about the program's future. Among the panelists were Charles P. Blahous, special assistant to the president for economic policy, and Stephen C. Goss, chief actuary of the Social Security Administration.

■ Mr. Viard spoke at an October event on municipal bonds and state income taxes. He, along with Messrs. Brill, Hassett, Hubbard, and Smetters, and Christopher DeMuth and the Brookings Institution's Jason Furman, submitted a Supreme Court amicus brief on this issue in *Davis v. Kentucky Department of Revenue*.

INTERNATIONAL TRADE AND FINANCE



Daniel W. Drezner of Tufts University, former under secretary of commerce Grant D. Aldonas, Resident Scholar Claude Barfield, and Editor-in-Chief of *The American* James K. Glassman

■ In May, congressional Democrats and the Bush administration reached a tentative trade deal allowing two free trade agreements (FTAs) to move forward, subject to more stringent environmental and labor standards. Claude Barfield moderated a panel in June to discuss the compromise. Deputy U.S. Trade Representative John K. Veroneau spoke, as did Philip I. Levy, who stressed the importance of regaining a bipartisan consensus on free trade. Mr. Barfield addressed the trade deal in an article on *The American's* website.

■ In remarks and a publication for the Ripon Society, Mr. Levy assessed “trade in the twilight of the Bush administration.” He elevated proposed FTAs and looked at how domestic politics affect trade negotiations.

■ At a February session moderated by Desmond Lachman, panelists discussed the global economic implications of China’s ever-growing trade surplus and examined the policy options available to the United States. Treasury under secretary for international affairs Timothy D. Adams spoke.

■ Mr. Barfield and Andrei Zlate of Boston College are working on a forthcoming AEI Press book, *The Eagle and the Dragon: The United States, China, and the Rise of Asian Regionalism*. This spring, they held three conferences on their research, covering the evolution of China’s trade and commercial diplomacy, how

the United States can balance its advocacy of multilateral trade liberalization with its pursuit of bilateral FTAs, and the growth of East Asian regionalism through multilateral institutions.

■ China was also the subject of articles by Mr. Levy, who has explored the Strategic Economic Dialogue with China, the U.S.-China trade deficit, and possible congressional action on Beijing’s trade and monetary policies.

■ Mr. Barfield authored a *European Outlook* on the European Union’s embrace of FTAs and how it will affect multilateral trade negotiations in Asia.

■ Mr. Lachman moderated a September panel on the role of the International Monetary Fund (IMF) after the arrival of its new managing director. Speakers included Andrew Crockett of JPMorgan Chase and Onno Wijnholds of the IMF.

■ Senior fellow James R. Lilley and four other former ambassadors to South Korea authored an op-ed in August urging Congress to ratify the U.S.-Korea Free Trade Agreement, known as KORUS.

AEI FELLOWS & SCHOLARS



Douglas J. Besharov, the Joseph J. and Violet Jacobs Scholar in Social Welfare Studies, researches ways to reduce poverty, social dependency, family breakdown, and teenage 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 Germanis), 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.



Visiting Fellow Edward Blum researches civil rights policy. He is the author of *The Unintended Consequences of Section 5 of the Voting Rights Act*, which was published this year by the AEI Press. Mr. Blum is a frequent contributor to the *Wall Street Journal*, *The Weekly Standard*, and *National Review*, among other publications.



Resident Fellow Dan Blumenthal studies Asia and international security. He has written essays for the *Washington Post*, the *Asian Wall Street Journal*, and the *Far Eastern Economic Review*, and he contributes to AEI’s *Asian Outlook* series. In 2006, Mr. Blumenthal became vice chairman of the U.S.-China Economic and Security Review Commission. He codirects AEI’s Tocqueville in China project.



John R. Bolton, who served as U.S. permanent representative to the United Nations from August 2005 to December 2006, rejoined AEI in 2007 as a senior fellow studying foreign policy and international organizations. He previously served as under secretary of state for arms control and international security. Ambassador Bolton has written extensively on United Nations reform, nuclear weapons proliferation, North Korea, and Iran. His book, *Surrender Is Not an Option: Defending America at the United Nations and Abroad*, was released in November 2007.

FINANCIAL MARKETS

■ AEI scholars were active in anticipating and responding to 2007's housing market slump and subprime lending crunch. In March, Alex J. Pollock moderated and Desmond Lachman participated in a session examining negative trends in the mortgage credit sector and the implications for the U.S. economy and the health of the housing sector. The panelists returned in October to update the issues of the deflating housing bubble and consider the political reactions.

■ Mr. Pollock addressed the role of credit risk in the market and Mr. Lachman focused on the extent and roots of the housing crisis in several articles. Mr. Pollock gave government testimony on several occasions. John H. Makin devoted several *Economic Outlooks* to the housing slump, and Ted Frank addressed liability issues.

■ Seeking ways to prevent similar crises, Mr. Pollock proposed a new standard in mortgage disclosure: a simple, one-page mortgage loan form to help borrowers understand their mortgage obligations. The "Pollock Prototype" was promoted in several media outlets and was endorsed by loan officers, state consumer protection officials, and representatives of mortgage bankers at a June conference. Representative Spencer Bachus (R-Ala.) introduced legislation requiring that homebuyers receive a disclosure form based on the Pollock Prototype.

■ Peter J. Wallison researches the competitiveness of U.S. financial markets, and he devoted a number of *Financial Services Outlooks* to the subject. In March, he spoke at a conference on the subject organized by Secretary of the Treasury Henry M. Paulson. In April, he moderated an AEI conference on the report of the Committee on Capital Markets Regulation, which concluded that excessive regulation and litigation were to blame for the migration of financial activity away from U.S. capital markets. Securities and Exchange Commission (SEC) member Paul S. Atkins gave the keynote address on how financial regulation must adjust to keep up with

the demands of the global financial sector. R. Glenn Hubbard was cochairman of the Committee on Capital Markets Regulation.



Paul S. Atkins of the Securities and Exchange Commission

■ A March conference at which Mr. Wallison spoke examined the role that the United Kingdom's Financial Services Authority (FSA) plays in London's success in attracting financial transactions and securities offerings. In his June *Financial Services Outlook*, he examined whether "principles-based" regulation—the FSA's method—would work here.

■ In April, Mr. Wallison concluded his eleven-conference, eighteen-month series entitled "Is There a Better Way to Regulate Mutual Funds?" with a forum to mark the release of his new AEI Press volume, *Competitive Equity: A Better Way to Organize Mutual Funds*, cowritten with Robert E. Litan of the Brookings Institution. In *Competitive Equity*, Messrs. Wallison and Litan expose the lack of price competition in the \$10-trillion mutual fund industry and argue for a system that would stimulate competition. Mr. Wallison described a new approach, a "managed investment trust," in his May *Financial Services Outlook*, and he moderated a September conference on Rule 12b-1 mutual fund fees.

■ Messrs. Pollock and Wallison spoke at a June conference on whether the pursuit of independence in post-Sarbanes-Oxley corporate governance has gone too far. In his July *Financial Services Outlook*, Mr. Pollock suggested a new perspective on "principal-agent" issues.

■ Mr. Wallison's August *Financial Services Outlook* examined the argument over the SEC's proxy access proposals. He advocated for a compromise to allow shareholders to recoup the costs of preparing a separate proxy statement if their slate is successful. Other *Financial Services Outlooks* addressed Regulation FD and the Global Settlement, accounting standards, audit certification, and SEC chairman Christopher Cox's legacy.

■ The AEI-sponsored Shadow Financial Regulatory Committee—which includes Mr. Wallison and Charles W. Calomiris—released briefings this year on auditor liability, market competitiveness, accounting principles, and more.

■ Mr. Calomiris edited *China's Financial Transition at a Crossroads* (Columbia University Press, 2007).

■ AEI scholars continued their probes of Fannie Mae, Freddie Mac, and other government-sponsored enterprises.

Arthur F. Burns Fellow Peter J. Wallison and Robert E. Litan of the Brookings Institution, authors of *Competitive Equity*



ENVIRONMENTAL POLICY

■ An article in the *New York Times* on April 13 covered the premiere of Steven F. Hayward's film, *An Inconvenient Truth . . . or Convenient Fiction?* The fifty-minute movie is a rebuttal to *An Inconvenient Truth*, the movie in which Al Gore warns against the dangers of global warming.

■ AEI held a book forum on the AEI Press book *Strategic Options for Bush Administration Climate Policy*, by Lee Lane of CRA International. Mr. Lane argues that the administration should reject a cap-and-trade program in favor of a carbon tax and redouble efforts to advance climate-related research.

■ In a June *Environmental Policy Outlook*, Kenneth P. Green, Mr. Hayward, and Kevin A. Hassett discuss the benefits of revenue-neutral, carbon-centered tax reform. Panelists at a March conference, including AEI visiting scholar N. Gregory Mankiw, Mr. Hassett, and Mr. Green, debated the advantages and disadvantages of carbon and gasoline taxes.

■ AEI hosted two conferences on the Supreme Court case *Massachusetts v. Environmental Protection Agency* (EPA). At the first, in November 2006, speakers placed the case in the context of global warming regulation. After the Court's ruling, a May panel addressed the decision's ramifications, asking whether it will lead to broader regulation of greenhouse gases and what kind of regulations the EPA might issue to fulfill this new mission.



F. K. Weyerhaeuser Fellow Steven F. Hayward

■ Samuel Thernstrom convened a panel to discuss California's climate law. At the session, W. David Montgomery of CRA International reported on the findings of a new study on the law commissioned by the Electric Power Research Institute. Mr. Montgomery's study found that California is unlikely to meet its costly emission reduction goals.

■ Joel Schwartz and Mr. Hayward are writing *Air Quality in America: A Dose of Reality on Air Pollution Levels, Trends, and Health Risks* (forthcoming from the AEI Press). Mr. Schwartz is also conducting a study that questions the EPA's role as a public health authority.

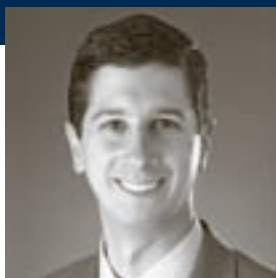
■ Mr. Green organized a conference last November to examine the hype surrounding ethanol. This was part of his conference series on alternative energy sources.

■ *The American's* May/June special report on energy and the environment featured articles by Roger Bate, Mr. Hayward, and Mr. Schwartz.

AEI FELLOWS & SCHOLARS



Senior Fellow Karlyn Bowman is an expert on American public opinion. She is a contributing editor of *The American* and writes regularly for its online edition. In 2007, she released several new AEI Public Opinion Studies on economic insecurity, women's progress, global warming, and presidential voting patterns. She continues to update her AEI Public Opinion Studies of the War on Terror, the war in Iraq, taxes, the environment, abortion, and homosexuality, and she writes occasionally for *Roll Call*.



Research Fellow Alex Brill is a former senior advisor and chief economist to the Committee on Ways and Means of the U.S. House of Representatives. Mr. Brill also served on the staff of the President's Council of Economic Advisors (CEA). Mr. Brill is continuing to work on a variety of economic and legislative policy issues he studied in Congress and at the CEA, including dividend taxation, the alternative minimum tax, international tax policy, social security reform, defined benefit pension reform, and U.S. trade policy.



Arthur C. Brooks joined AEI as a visiting scholar in 2007. He is the Louis A. Bantle Professor of Business and Government Policy at Syracuse University's Maxwell School of Citizenship and Public Affairs. The author of *Who Really Cares: The Surprising Truth about Compassionate Conservatism* (2006), Mr. Brooks studies happiness research and social entrepreneurship at AEI. He is working on the forthcoming book *The Happiness Gap: The Values That Make Some Americans So Much Happier Than Others*.



Resident Scholar John E. Calfee analyzes government policies pertaining to pharmaceuticals, the Food and Drug Administration, health care, advertising, and the tort liability system. He has written several AEI Press books, including *Prices, Markets, and the Pharmaceutical Revolution* (2000) and *Biotechnology and the Patent System: Balancing Innovation and Property Rights* (AEI Press, 2007, with Claude Barfield).

REGULATION

■ The AEI-Brookings Joint Center for Regulatory Studies strives to promote public understanding of the impact of regulations on consumers, business, and government. Its active publishing program includes papers and essays on topics as diverse as net neutrality, the auctioning of the electromagnetic spectrum (cowritten by the Joint Center's executive director, Robert W. Hahn), access by terminally ill patients to experimental drugs (cowritten by John E. Calfee), the separation of banking and commerce, China's climate change incentives, links between cell phone use and car crashes, telecommunications infrastructure in developing countries, the problem of spam, CAFE standards, and mobile banking.

■ In April, Mr. Hahn and fellow Joint Center director Robert E. Litan testified before a House science and technology subcommittee about the administration's new executive order on regulation and pronounced it "a step in the right direction." In June, they reviewed the tenth report of the Office of Management and Budget (OMB) on the benefits and costs of government regulations, issuing six recommendations for the OMB and one for Congress that would help hold lawmakers and regulators more accountable for the regulations they produce.

■ In January, Mr. Hahn organized a Joint Center conference on prediction markets' potential to revolutionize policymaking. The conference featured a number of leading scholars and practitioners of information markets, who discussed the many applications of these markets. Last year, Mr. Hahn and Paul C. Tetlock edited *Information Markets: A New Way of Making Decisions* (Joint Center, 2006). In a *Wall Street Journal* article, they described a consensus plan endorsed by more than twenty leading researchers—including Nobel laureates in economics Kenneth Arrow, Daniel Kahneman, Thomas Schelling, and Vernon Smith—to create a safe harbor for small-stakes, non-profit prediction markets to encourage experimentation. The plan was published by the Joint Center.

■ In November 2006, Roger Noll, emeritus professor of economics at Stanford, delivered the AEI-Brookings Joint Center Distinguished Lecture on why regulatory reform has stalled and why certain costly regulatory practices are spreading to the rest of the world.

■ In May, the Joint Center hosted a discussion of Clifford Winston's newest book, *Government Failure vs. Market Failure: Microeconomics Policy Research and Government Performance* (Joint Center, 2006). Newt Gingrich joined Mr. Winston to speak on the classic theme of markets versus government. Mr. Winston argued that many government



University of Chicago law professor Cass Sunstein, author of *Worst-Case Scenarios*



Resident Scholar and Executive Director of the AEI-Brookings Joint Center for Regulatory Studies Robert W. Hahn

responses to market failure could have been improved by incorporating market-friendly incentives. Mr. Gingrich argued that government failure has higher costs than market failure.

■ Top officials at seven government agencies—including Federal Trade Commission chair Deborah Platt Majoras, Securities and Exchange Commission member Paul S. Atkins, and Surface Transportation Board chair Charles Nottingham—joined academics at a Joint Center workshop in May to discuss how regulators can enhance market competition. Mr. Hahn moderated the event.

■ Mr. Hahn continues to monitor Internet regulation. At a Joint Center conference in July, he and other speakers addressed the Google-DoubleClick merger, discussing the consequences—for innovation, antitrust, competition, and consumer privacy—of a single entity controlling most online advertising. In a *Policy Matters* published on the Joint Center's website, Messrs. Hahn and Litan called for federal regulators to collect more information on the advertising market, barriers to entry, and consumer data before approving the merger.

■ In September, Mr. Hahn moderated a book forum featuring University of Chicago law professor Cass Sunstein, who discussed his new book, *Worst-Case Scenarios* (Harvard University Press, 2007), on steering a path between over-reaction and apathy to avoid future catastrophic disasters.

■ In February, the Joint Center held a book forum on a new book by Peter Schuck and Richard Zeckhauser, *Targeting in Social Programs: Avoiding Bad Bets, Removing Bad Apples* (Brookings Institution Press, 2006), in which the authors present a new framework for analyzing the difficult choices policymakers face as they try to target society's resources more effectively.

■ The Joint Center's website makes the work of AEI scholars and others available to a wide audience. In the first quarter of 2007 alone, the Joint Center registered more than 430,000 downloads, an increase of more than 56 percent over the same period in 2006.

HEALTH POLICY STUDIES

For decades, AEI's Health Policy Studies Program has been a leader in debates over health care issues. In recent years, the program has examined Medicare reform, the reimportation of prescription drugs, health coverage for the uninsured, the role of the Food and Drug Administration, the development of vaccines, the effects of price controls on pharmaceutical innovation, and private-sector solutions to public health problems.



AEI Press, 2007

"[U]seful background to anyone who wants to explain the [Medicare] crisis in understandable terms to consumers, patients, or one's own family. . . . I found the book a worthy read with thoughtful solutions."

—Prentiss Taylor, *Journal of the American Medical Association*

"A must read. Rettenmaier and Saving cut through the heated rhetoric and inscrutable figures that plague Medicare discussions, providing a clear, readable explanation of what's wrong with the program and what's to be done. They haven't simply written a great book; they've performed a crucial public service."

—David Grutzer, senior fellow, Manhattan Institute

"This is by far the most comprehensive and compelling analysis produced to date of the long-term fiscal challenge posed by Medicare. The authors render with great clarity and precision just how and why the economic burden of financing the health care of America's senior citizens will mushroom in the decades ahead."

—John L. Palmer, university professor and dean emeritus, the Maxwell School of Syracuse University, and public trustee of the Social Security and Medicare Trust Funds (2000–2007)

AEI FELLOWS & SCHOLARS



Charles W. Calomiris is a visiting scholar at AEI and the Henry Kaufman Professor of Financial Institutions at Columbia Business School. Mr. Calomiris is the editor of, most recently, *China's Financial Transition at a Crossroads* (2007), and the author of *A Globalist Manifesto for Public Policy* (2002), *U.S. Bank Deregulation in Historical Perspective* (2000), and *Emerging Financial Markets* (2000, with David O. Beim).



Senior Fellow Lynne V. Cheney studies education and culture. She is the author of *Telling the Truth: Why Our Culture and Our Country Have Stopped Making Sense—and What We Can Do about It* (1995) and *Kings of the Hill: How Nine Powerful Men Changed the Course of American History* (revised edition, 1996, with Dick Cheney). *Our 50 States*, her fourth children's book, was published in 2006. Mrs. Cheney's memoir of her Wyoming upbringing, *Blue Skies, No Fences*, was released in October 2007.



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 differences in states and countries lead to differences in employment, household work, and leisure time. Last year, Mr. Davis contributed a study on the variability of business growth rates in the U.S. economy. He is directing an AEI research project on inequality and economic well-being.



Mauro De Lorenzo joined AEI in 2006 as a resident fellow. He researches private sector-based approaches to development in post-conflict 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 American*. Mr. De Lorenzo has worked and studied in Afghanistan, Bosnia and Herzegovina, Burundi, the Democratic Republic of the Congo, Liberia, Rwanda, and Uganda.

Wilson H. Taylor Scholar
Joseph Antos



Resident Fellow
Roger Bate



Resident Scholar
Sally Satel, M.D.



Resident Fellow
Scott Gottlieb, M.D.



Resident Fellow
Thomas P. Miller



Resident Scholar
John E. Calfee



HEALTH POLICY

■ Secretary of Health and Human Services Michael Leavitt gave a speech at AEI in April on “Promoting Health Insurance for Children and All Americans.” He spoke about the stealth attempt to “crowd out” private insurance by dramatically increasing funding for and enrollment in the State Children’s Health Insurance Program (SCHIP).

■ AEI’s Studies on Medicare Reform started publishing in 2007. In the first book in the series, *The Diagnosis and Treatment of Medicare*, Andrew J. Rettenmaier and Thomas R. Saving propose financing the program by prepayment by each age cohort rather than the current transfer scheme. The forthcoming second volume in this series, *Medicare and Markets*, by AEI adjunct scholar and Wharton School professor Mark V. Pauly, will argue that market-based reform would be more effective in reconciling the rising demand for health care with the program’s more limited resources.

■ An April event at AEI reviewed the recommendations of the Medicare Payment Advisory Commission on the perennial problem of the fees paid to physicians under Medicare. Mark Miller, executive director of the commission, spoke, and Joseph Antos moderated.

■ As they have done in past years, Mr. Antos and Robert B. Helms convened a session to review the annual Medicare



Secretary of Health and Human Services Michael Leavitt addresses the media at an AEI event

trustees report the day after its release on April 23. Richard Foster, Medicare’s chief actuary, discussed this year’s findings with Mr. Saving and John Palmer, the two public trustees.

■ John E. Calfee, Scott Gottlieb, M.D., and Roger Bate have been studying prescription drugs this year. Mr. Calfee has focused on biotech drugs, writing a *Health Policy Outlook* on the subject of follow-on biologics in April. He argues that biologic innovators should enjoy data exclusivity for a number of years in order to protect their R&D investments and stimulate innovation. He also wrote a cover story for *The American’s* March/April special report on health innovation. Mr. Calfee and Claude Barfield authored *Biotechnology and the Patent System: Balancing Innovation and Property Rights* (AEI Press, 2007), and they spoke at a forum on the subject in September when the Patent Reform Act of 2007 was pending in Congress.

AEI FELLOWS & SCHOLARS



Christopher DeMuth is celebrating his twenty-first year as president of AEI. He is the coeditor of *The Neoconservative Imagination: Essays in Honor of Irving Kristol* (AEI Press, 1995). His writings on government regulation and other subjects have appeared in the *Wall Street Journal*, *Commentary* magazine, *The Weekly Standard*, *The Public Interest*, the *Harvard Law Review*, and the *Yale Journal on Regulation*.



Resident Fellow Thomas Donnelly, the principal author of AEI’s *National Security Outlook*, analyzes U.S. strategic defense and international security issues. He is the author and editor of several AEI Press books, the most recent of which are *Of Men and Materiel: The Crisis in Military Resources* (2007, edited with Gary J. Schmitt), *The Military We Need: The Defense Requirements of the Bush Doctrine* (2005), and *Operation Iraqi Freedom: A Strategic Assessment* (2004).



Nicholas Eberstadt is AEI’s Henry Wendt Scholar in Political Economy. His areas of focus include demographics, North Korea, health, and economic development. Mr. Eberstadt also serves on the President’s Council on Bioethics. His most recent books are *Europe’s Coming Demographic Challenge: Unlocking the Value of Health* (AEI Press, 2007, with Hans Groth, M.D.) and *The North Korean Economy: Between Crisis and Catastrophe* (2007). The *Wall Street Journal* has called him “Washington’s leading expert on global demographic trends.”



Research Fellow John C. Fortier studies politics, elections, and the presidency. He is the executive director of the Continuity of Government Commission and the principal contributor to the AEI-Brookings Election Reform Project. Mr. Fortier also writes a weekly column for the *Hill*. He most recently edited *Second-Term Blues: How George W. Bush Has Governed* (2007, with Norman J. Ornstein). His AEI Press books include *Absentee and Early Voting: Trends, Promises, and Perils* (2006) and the third edition of *After the People Vote: A Guide to the Electoral College* (2004).

HEALTH POLICY, *continued*

■ Mr. Calfee and Dr. Gottlieb spoke at a conference in June on whether Congress should create a regulatory pathway for follow-on biologic drugs, which piggyback on R&D-intensive, complex drugs and thus present greater challenges to intellectual-property protection than simpler small-molecule drugs.

■ Dr. Gottlieb focuses on the approval process for new drugs. He wrote a series of op-eds in the *Wall Street Journal* exploring different ways the Food and Drug Administration (FDA) can improve the regulatory pathways for new medicines. He is also examining how the FDA regulates drugs after approval. In an article in *Health Affairs*, he criticized legislative proposals to require post-approval risk management.

■ The Health Policy Consensus Group, a task force of leading health economists, renewed its efforts this year to promote incentive-based and consumer-driven health care. Messrs. Antos and Helms and Thomas P. Miller contributed to policy fact sheets on Medicare Part D, SCHIP, Medicare Advantage, and other topics. Mr. Helms authored a *Health Policy Outlook* on SCHIP in August.

■ Mr. Antos and Alice M. Rivlin of the Brookings Institution edited *Restoring Fiscal Sanity 2007: The Health Spending Challenge* (Brookings Institution Press), which stresses the need for innovative approaches and cooperation between the private and public sectors.

■ Mr. Bate has been writing extensively about pharmaceuticals and global health. In nine *Health Policy Outlooks* since December 2006, he has addressed how corruption and tariffs reduce access to medicine in the developing world, how India and Thailand are weakening drug patents and endangering innovation, how counterfeit and copy drugs endanger patients, how the World Health Organization sets unrealistic targets, how price discrimination gets medicine to the poorest and preserves incentives for innovation, and how unhygienic health care hurts patients.

■ In his March *Health Policy Outlook*, Mr. Bate explored the murky medicine procurement process of the Global Fund for AIDS, Tuberculosis and Malaria. He examined the work of Senator Tom Coburn (R-Okla., see page 22) in attempting to impose transparency on the Global Fund.

■ Mr. Helms concluded his service on Secretary Leavitt's Medicaid Commission in December 2006. Although he voted for the commission's recommendation, Mr. Helms published a partial dissent as a January *Health Policy Outlook*, in which he argued that the formula for federal matching



Resident Scholar Robert B. Helms

funds is flawed. It fails to target the poorest and neediest beneficiaries and states.

■ In a January *Health Policy Outlook*, Mr. Pauly outlined the strengths and weaknesses of the Massachusetts health plan to cover the uninsured. At an AEI event, Mr. Pauly and others examined whether the plan could be a model for other states.

■ In January, AEI hosted a panel to discuss whether the government should negotiate the prices of pharmaceuticals covered by the new Medicare Part D prescription drug benefit. Mr. Antos and Mark B. McClellan, M.D., spoke.

■ Bill Thomas gave the keynote address at a February conference on arguments pro and con for a White House proposal to replace the current tax break for employer-sponsored health insurance with a standard tax deduction available to anyone buying insurance. In August, Bryan E. Dowd of the University of Minnesota contributed a *Health Policy Outlook* on the president's proposal. Mr. Miller moderated a September panel on revving up consumer-driven health plans.

■ Sally Satel, M.D., continued her work on mental health policy, drug addiction, and organ markets.

■ In May, Mr. Pauly and Johns Hopkins University's Bradley Herring presented new findings on how insurance companies pool risk in the individual market and how various state regulations affect premiums and the degree of coverage. Their research provides a policy rationale for individual health insurance as a more effective tool to expand coverage.

■ At a session moderated by Mr. Miller, panels discussed a provocative article by health policy researchers Clark C. Havighurst and Barak D. Richman, in which they argue that there is "serious and systematic unfairness in the American way of financing, regulating, and dispensing health care."

■ The "retail revolution" in health care services was the subject of a July forum at which speakers addressed consumer-directed health plans, walk-in clinics, accessible medical records, and health care by nonphysicians.

FOREIGN AND DEFENSE POLICY STUDIES

AEI's foreign and defense policy scholars seek to understand how best to advance political and economic freedom—as well as American interests—around the world. The Institute's scholars study relations between the United States and its allies, analyze threats from abroad and military preparedness, examine democratic transitions, and evaluate international organizations and institutions.



AEI Press, 2007

“An insightful new book. . . . Leon Aron is an émigré whose sharp understanding of his homeland is matched by an appreciation of the mistakes that outsiders, particularly his fellow Americans, make in interpreting it.”

—Economist.com

“Is there [anything] good to say about Russia? The eminent scholar Leon Aron, whose masterful biography of the late President Boris Yeltsin set the standard by which subsequent efforts will be measured, emphatically says ‘Da!’”

—Minneapolis Star Tribune

“Leon Aron is perhaps the most erudite, insightful, and indeed, empathetic analyst of the trials and tribulations of Russia’s troubled revolution.”

—Andrew C. Kuchins, director and senior fellow, Russia and Eurasia Program, Center for Strategic and International Studies

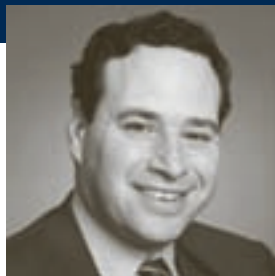
“Leon Aron has long been an invaluable source of common sense, deep knowledge, and historical perspective on the country of his birth. All his skills and insight are on display in Russia’s Revolution.”

—Strobe Talbott, deputy secretary of state (1994–2001) and president of the Brookings Institution

AEI FELLOWS & SCHOLARS



Resident Fellow Ted Frank is director of the new AEI Legal Center for the Public Interest. Mr. Frank manages the Institute's research on product liability; medical malpractice; class actions and civil procedure; corporate regulation; antitrust, patent, and lifestyle litigation; and judicial selection. He is also the author of AEI's *Liability Outlook*. Prior to joining AEI in 2005, Mr. Frank was a practicing attorney. He is a regular contributor to the tort reform blog *Overlawyered* and the online magazine *PointofLaw.com*.



Resident Fellow David Frum analyzes U.S., Canadian, and European politics and culture. He writes a blog for National Review Online and is a weekly columnist for Canada's *National Post*. Mr. Frum is the author of the forthcoming book *Comeback: Conservatism That Can Win Again* (December 2007). Two of his previous books were *New York Times* bestsellers: *An End to Evil: How to Win the War on Terror* (2003, with Richard Perle) and *The Right Man: The Surprise Presidency of George W. Bush* (2003).



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. Mr. Gelernter delivered a February 2006 Bradley Lecture entitled “A Religious Idea Called ‘America.’” He is a member of the National Council on the Arts and the author of, most recently, *Americanism: The Fourth Great Western Religion* (2007), which expands upon the theme of his 2006 Bradley Lecture.



Resident Fellow Reuel Marc Gerecht analyzes the Middle East, central Asia, intelligence, and terrorism. His articles have appeared in *The Atlantic Monthly*, *Foreign Affairs*, *The New Republic*, *The Weekly Standard*, the *New York Times*, the *Wall Street Journal*, and the *Washington Post*. His latest book, *The Islamic Paradox: Shiite Clerics, Sunni Fundamentalists, and the Coming of Arab Democracy*, was released by the AEI Press in 2004.

Resident Scholar
Leon Aron



Senior Fellow
John R. Bolton



Resident Scholar
Michael Rubin



Resident Scholar
Michael Auslin



Resident Scholar
Frederick W. Kagan



Vice President for Foreign
and Defense Policy Studies
Danielle Pletka



U.S. FOREIGN AND DEFENSE POLICY

■ President George W. Bush gave a major address to the Institute on February 15 about the war on terror and specifically the front in Afghanistan. The president urged steadfastness, referencing late AEI senior fellow Jeane J. Kirkpatrick: “Kirkpatrick was right: people around the world, regardless of their faith, their background, or their gender, want to be free.”

■ John R. Bolton rejoined AEI as a senior fellow after serving as the U.S. permanent representative to the United Nations. Ambassador Bolton was the senior vice president of AEI before joining the Bush administration. His book, *Surrender Is Not an Option*, was published in November.

■ Throughout 2007, Frederick W. Kagan and AEI's Iraq Planning Group monitored the situation in Iraq. As the situation deteriorated in late 2006, AEI researchers began to study a change in strategy. In January, Mr. Kagan released his phase I report, *Choosing Victory: A Plan for Success in Iraq*, which urged a rapid scale-up and military surge to clear and hold key points in Iraq. Retired Army general Jack Keane, a member of AEI's Iraq Planning Group, discussed the report at the January conference, and Senators John McCain (R-Ariz.) and Joseph Lieberman (I-D-Conn.) discussed their recent fact-finding trip to Iraq.

■ In April, Mr. Kagan released his phase II report, which focused on establishing stability after the initial military



President George W. Bush

component of the surge. Mr. Kagan, General Keane, and Jack Miller of the Center for a New American Security assessed the progress of the surge in July. In September, shortly before General David Petraeus's report to Congress, Mr. Kagan held a public conference to present the next part of his *Choosing Victory* series, a report entitled *No Middle Way*. Senator Lindsey Graham (R-S.C.), General Keane, and Mr. Miller also spoke at that event.

■ Mr. Kagan observed the situation in Iraq on trips to Baghdad and its environs in April, May, and July. Michael Rubin traveled to northern Iraq this year.

■ Speakers at an October event, including Senator Norm Coleman (R-Minn.), addressed challenges to U.S. leadership at the United Nations, especially in light of emerging blocs like the Non-Aligned Movement, the Organization of the Islamic Conference, and the Group of 77.

AEI FELLOWS & SCHOLARS



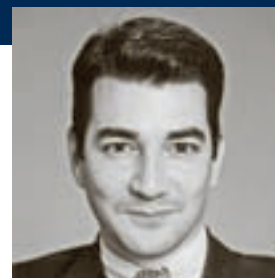
Senior Fellow Newt Gingrich focuses his research on health care, information technology, and national security. An underlying theme of his research in these areas is the desire to make government more efficient, and thereby more effective. Mr. Gingrich often testifies before Congress, writes prolifically 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 many recent books is *Winning the Future: A 21st Century Contract with America* (2005).



James K. Glassman is editor-in-chief of *The American*, AEI's flagship magazine. Launched in 2006, *The American* surveys the panorama of American life through the lens of commerce and economics. Mr. Glassman, who is also an AEI senior fellow studying economics, technology, and politics, writes a monthly column for *Kiplinger's Personal Finance*. In June, he was sworn in as the fourth chairman of the Broadcasting Board of Governors, which oversees all U.S. government, nonmilitary, international broadcasting, including Voice of America, Alhurra, and Radio Free Europe/Radio Liberty.



Jack Landman Goldsmith is a visiting scholar at AEI and a professor at Harvard Law School. Mr. Goldsmith's work for AEI focuses on international law, sovereignty, and intelligence reform. His most recent book, *The Terror Presidency: Law and Judgment Inside the Bush Administration*, was published in 2007. He is also the author of *Who Controls the Internet? Illusions of a Borderless World* (2006, with Tim Wu) and *The Limits of International Law* (2005, with Eric A. Posner).



Resident Fellow Scott Gottlieb, M.D., a practicing physician, rejoined AEI in 2006 after serving as deputy commissioner of the Food and Drug Administration (FDA) for medical and scientific affairs. He researches FDA 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*.

U.S. FOREIGN AND DEFENSE POLICY, *continued*

■ When former Russian president Boris Yeltsin died in April, Leon Aron, author of *Yeltsin: A Revolutionary Life*, was frequently called upon by the media for comment. Mr. Aron's *Russia's Revolution: Essays 1989–2006* (AEI Press, April 2007) describes Russia's transformation from glasnost to the Putin restoration. A May AEI panel discussed Yeltsin's legacy.

■ In September, Mr. Aron convened a group of Russia-watchers to discuss the December 2007 Duma elections and the March 2008 presidential elections. Ambassador Bolton delivered the keynote address.

■ Late in 2006, AEI relaunched its *European Outlook* series with an essay on pro-American elements in French politics, including then-presidential candidate Nicolas Sarkozy, by Reuel Marc Gerecht and Gary J. Schmitt. The first issue of 2007, by Claude Barfield, addressed European attitudes toward free-trade agreements. Mr. Gerecht wrote a *European Outlook* looking at Russia as a "rogue intelligence state."

■ Mr. Schmitt and Thomas Donnelly spoke at a book forum along with the contributing authors of *Of Men and Materiel: The Crisis in Military Resources* (AEI Press, 2007) in January.

■ Paul Wolfowitz and Liberian defense minister Brownie J. Samukai were among speakers at a conference moderated by Mauro De Lorenzo on the implications of the U.S. military's Africa Command for U.S.-African relations and security priorities on that continent.

■ Mr. Donnelly and research assistant Colin Monaghan wrote a three-part series of *National Security Outlooks* on the Bush administration's foreign policy legacy, with special reference to Afghanistan, the "long war" on terror, and China's rise. Other *National Security Outlooks* explored whether the

Senator Lindsey Graham



Resident Scholar Frederick W. Kagan and retired Army general Jack Keane

United States is an empire, the role of military advisors in Iraq, terrorist threats in the Horn of Africa, and Indian lessons for the Pakistani counterinsurgency.

■ A March session moderated by Mr. Rubin asked how U.S. and Iraqi troops should deal with local militias. In April, a panel discussed the spotty record of the Coalition Provisional Authority in Iraq and evaluated the effectiveness of other postconflict administrations.

■ In November 2006, AEI hosted former acting Russian prime minister Yegor Gaidar to discuss failures of Soviet economic policy and the direction Vladimir Putin has taken Russia. His speech was published in AEI's *On the Issues* series.

■ In 2007, AEI's quarterly *Russian Outlook*, written by Mr. Aron, covered the twentieth anniversary of glasnost, the succession after President Putin, and the current critique of Yeltsin's tenure.

■ Mr. De Lorenzo has been researching the treatment of refugees. At a conference in May, along with Ambassador Bolton, Cambridge's Guglielmo Verdirame, and representatives of the State Department and the UN High Commissioner for Refugees, he addressed accountability for humanitarian failures in refugee camps, a subject he wrote about on washingtonpost.com.

■ One day before the sixth anniversary of the 9/11 attacks, Newt Gingrich proposed an "alternative history" of the War on Terror to make clear the scale of changes required for the United States to win.

■ In March, Mr. Gerecht joined Yossi Klein Halevi of the Shalem Center in Jerusalem and David Ignatius of the *Washington Post* for a traveling debate on whether Iran will get a nuclear bomb and, if so, what it will mean. The debaters visited Paris, Brussels, and Berlin.

■ *Making War to Keep Peace*, by Ambassador Kirkpatrick, was published posthumously in April. In it, she surveys foreign policy developments in the 1990s and early 2000s.

LATIN AMERICAN STUDIES

■ Secretary of Commerce Carlos Gutierrez was the keynote speaker at a February conference on the future of Cuba after Fidel Castro. Secretary Gutierrez said that U.S. policy is to assist in the transition to a free Cuba while leaving the ultimate fate of the island in its citizens' hands. Other speakers at the event, including Caleb McCarr, the Cuba transition coordinator at the State Department, addressed what could be done to ease the transition, liberate Cuban society, and open up the economy.

■ This year, both Roger F. Noriega and resident scholar emeritus Mark Falcoff wrote *Latin American Outlooks* on the future of Cuba. Ambassador Noriega argues that U.S. diplomacy should support Cuban freedom without interference from Castro allies like Hugo Chávez's Venezuela. Mr. Falcoff, whose 2003 AEI Press book *Cuba the Morning After: Confronting Castro's Legacy* was reprinted in 2006, addressed the thorny questions of President Castro's succession in "When Dictators Die."

■ In January, AEI hosted University of California, San Diego, economist Gordon H. Hanson, who addressed the economic and social factors that influence the flow of illegal migrants from Mexico and the effectiveness of policies that regulate cross-border migration and access to U.S. jobs. Steven J. Davis moderated the panel.



Secretary of Commerce Carlos Gutierrez

■ Venezuela's Chávez was reelected in December 2006. Just prior to the election, AEI held a conference at which Representative Connie Mack (R-Fla.) gave a keynote address on how the United States should respond to President Chávez. Ambassador Noriega highlighted the Venezuelan leader's refusal to allow observers from the Organization of American States to monitor the election freely.

■ Ambassador Noriega wrote *Latin American Outlooks* this year on the key issues of immigration reform, democratic solidarity in the Americas, and U.S. cooperation and assistance in Mexico's war on drugs. Mr. Falcoff contributed an *Outlook* on recent political developments in Argentina.

■ In March, the AEI-Brookings Election Reform Project looked south of the border when it invited Mexican elections chief Luis Carlos Ugalde to describe Mexico's centralized election system and to share lessons from that country's hotly contested 2006 presidential election.

AEI FELLOWS & SCHOLARS



Resident Scholar Kenneth P. Green 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 *Environmental Policy Outlook*. Before joining AEI, Mr. Green worked on U.S. and Canadian environmental policy at the Reason Foundation and Canada's Fraser Institute.



Michael S. Greve is AEI's John G. Searle Scholar and author of its *Constitutional Outlook* series, formerly known as *Federalist Outlook*. In 2007, he and coeditor Richard A. Epstein released *Federal Preemption: States' Rights, National Interests* (AEI Press). His other recent books include *Harm-Less Lawsuits? What's Wrong with Consumer Class Actions* (AEI Press, 2005) and *Competition Laws in Conflict: Antitrust Jurisdiction in the Global Economy* (AEI Press, 2004, with Richard A. Epstein).



Research Fellow Christopher Griffin studies Chinese, Japanese, Indian, and U.S. strategy in Southeast Asia; defense industrial cooperation in the Asia-Pacific region; and Japan's diplomatic and security reemergence. He contributes regularly to AEI's *Asian Outlook* series and is an associate editor of *Armed Forces Journal*, for which he writes a regular feature called "Blogs of War."



Resident Scholar Robert W. Hahn, the executive director of the AEI-Brookings Joint Center for Regulatory Studies, analyzes topics ranging from real-estate brokerage laws to mercury regulation. He edited *Antitrust Policy and Vertical Restraints* (AEI-Brookings Joint Center, 2007) and coedited *Information Markets: A New Way of Making Decisions* (AEI-Brookings Joint Center, 2006, with Paul C. Tetlock).

MIDDLE EAST STUDIES

■ AEI has launched a major project to gauge the depth and breadth of Iran's economic ties with the outside world: "Global Business in Iran: Interactive," an online database charting major financial transactions with the Islamic Republic since 2000. Led by research associate Omeed Jafari, AEI researchers have documented more than 300 transactions amounting to more than \$150 billion. The project was introduced at a May conference at which Mr. Jafari, Danielle Pletka, Patrick Clawson of the Washington Institute for Near East Policy, and A. William Samii of the Center for Naval Analyses spoke.

■ As awareness of Iran's financial and business ties to the developed world has spread, partly through AEI's Iran database, proposals for divestment have been floated by state legislatures and Congress. At an AEI briefing in July, Representative Brad Sherman (D-Calif.) outlined pending legislation that would allow institutional investors to divest without fiduciary liability. Senator Jon Kyl (R-Ariz.) delivered a keynote speech on how tough sanctions and divestment would target Iran's economic weaknesses and the imperative of securing Russia and China's support in sanctions. Other speakers included Missouri treasurer Sarah Steelman, who prevents state investment in companies with financial ties to sponsors of terrorism like Iran, and Florida state senator Ted Deutch.

■ Benazir Bhutto, the first and only woman to serve as prime minister of Pakistan, spoke at a February meeting hosted by Ms. Pletka about the security and political situations in Ms. Bhutto's home country.

■ In September, Michael A. Ledeen's book *The Iranian Time Bomb: The Mullah Zealots' Quest for Destruction* was published by St. Martin's Press. Mr. Ledeen, who wrote several articles for the *Wall Street Journal* about Iran, spoke at a book forum that month with Clifford D. May of the



Vice President for Foreign and Defense Policy Studies Danielle Pletka and former prime minister of Pakistan Benazir Bhutto

Foundation for Defense of Democracies and former Central Intelligence Agency director R. James Woolsey.

■ Walid Jumblatt, a member of the Lebanese parliament and leader of the 2006 Cedar Revolution, spoke at AEI in February on Syria's continued meddling in his country's affairs and the pernicious influence of Hezbollah in Lebanese politics.

■ Last November, AEI held the third installment of its Dissent and Reform in the Arab World conference series. The series has featured dissidents from across the Middle East. In December 2006, Michael Rubin wrote a *Middle Eastern Outlook* on whether U.S. support for Middle Eastern dissidents is the kiss of death. In April, research assistant Jeffrey Azarva contributed an *Outlook* about the rollback of democratic reforms in Egypt and Tunisia.

■ Writing in the Summer 2007 issue of the *Middle East Quarterly*, Mr. Rubin reviewed fourteen books about the war in Iraq. These were later published as part of AEI's *On the Issues* series. Mr. Rubin also monitors Turkish politics. In advance of this year's major parliamentary and presidential elections in that country, he explored the growing appeal of Islamist politics in Ankara in a *Middle Eastern Outlook*. He also continues to watch developments in Iran. In December 2006, he moderated a panel discussion on elections for the Iranian Assembly of Experts, which appoints Iran's supreme leader.

■ Reuel Marc Gerecht has written extensively this year on the Shia-Sunni divide, radical clerics in Tehran, and the possibility of true democracy in Iraq. He wrote a *New York Times* op-ed denouncing Iran's imprisonment of American citizens, and he and Gary J. Schmitt wrote an op-ed in the *Financial Times* on how the West can avert a war with Iran. In March 2007, Mr. Gerecht held a conference in Amman with the University of Jordan's Center for Strategic Studies to explore the future of U.S. policy in the Middle East.

■ In a lengthy essay for *Commentary* magazine in June, Joshua Muravchik, currently working on a book about Arab democrats, described his recent trip to Saudi Arabia and offered observations of local culture and politics.

Ayat Abul-Futtouh of Egypt's Ibn Khaldun Center for Development Studies



Lebanese parliament member Walid Jumblatt



DEVELOPMENT POLICY STUDIES

■ In July, former World Bank president and deputy secretary of defense Paul Wolfowitz joined AEI as a visiting scholar in development policy studies. His interest in these issues dates back to his days as ambassador to Indonesia during the Reagan administration.

■ Senator Tom Coburn (R-Okla.), the ranking member of the subcommittee that oversees foreign aid programs, praised transparency in foreign aid spending during a speech at AEI in June. Roger Bate, who has this year exposed opaque procurement processes at multilateral organizations, moderated the event.

■ Adam Lerrick, Desmond Lachman, and Philip I. Levy have been writing about reform at the World Bank and other development organizations. In June, Representative Mark Kirk (R-Ill.) spoke at an event examining whether we still need the World Bank. Despite policy drift in recent years, the Bank can still be a vessel for American influence, he argued. Other speakers—who included William Easterly of New York University and Mr. Lerrick—addressed ways in which the Bank has lost focus and offered substantial aid to countries that do not need it. They also discussed the challenges World Bank president Robert Zoellick will face.

■ Mauro De Lorenzo is monitoring China's charm offensive in Africa and writing about that nation's long-term



Representative Mark Kirk



Patrick Mazimhaka, deputy chairperson of the Commission of the African Union

strategies on the continent. In May, he hosted a discussion on the consequences of China's investment in and close relationship with the repressive Sudanese regime in light of the Darfur situation. African officials and business leaders—including Patrick Mazimhaka, deputy chairperson of the Commission of the African Union—spoke at a September session on African concerns about Chinese economic and political activity.

■ Mr. De Lorenzo is the editor of AEI's *Development Policy Outlook*. The first issue of 2007, by Mr. Levy, discussed how to make U.S. foreign aid more effective. In August, Deepak Lal of the University of California, Los Angeles, and Sarath Rajapatirana wrote a *Development Policy Outlook* on the popular idea of a "Marshall Plan" for Africa, highlighting basic differences between postwar Europe and modern-day Africa.

■ Mr. De Lorenzo has launched a research and writing project on promoting entrepreneurship in the developing world.

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*, *National Review*, and *TCS Daily*. He is also a weekly columnist for *Bloomberg.com*. 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* (twelfth edition, copublished by the AEI Press, 2007, with Amy L. Kaleita) and frequently contributes to AEI's *Environmental Policy Outlook* series. His most recent book is the forthcoming *Air Quality in America: A Dose of Reality on Air Pollution Levels, Trends, and Health Risks* (AEI Press, 2007, with Joel 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 is a member of the National Advisory Council of the Agency for Healthcare Research and Quality of the Department of Health and Human Services.



Frederick M. Hess is a resident scholar and director of education policy studies at AEI. In 2007, he edited *Footing the Tuition Bill: The New Student Loan Sector* and coedited *No Remedy Left Behind: Lessons from a Half-Decade of NCLB* (both published by the AEI Press). He is the executive editor of *Education Next* and the author or coauthor of several books, including the *No Child Left Behind Primer* (2006) and *Tough Love for Schools* (AEI Press, 2005). He is currently working on a book entitled *Emancipating Education*.

ASIAN STUDIES

■ Several AEI scholars, including Dan Blumenthal, John R. Bolton, Nicholas Eberstadt, and Christopher Griffin, have been closely monitoring the situation in North Korea. They spoke at an April briefing on the February six-party agreement, which was broadcast on C-SPAN, addressing questions related to Pyongyang's motives and goals.

■ Ambassador Bolton followed up on his remarks in three forceful *Wall Street Journal* op-eds in which he warned that North Korea would continue to seek concessions from the United States without keeping its promises. In the *Los Angeles Times*, Mr. Blumenthal argued that U.S. willingness to concede to North Korea's demands has chilled the relationship between Washington and Tokyo.

■ Michael Auslin joined AEI as a resident scholar in July to study U.S.-Japanese relations, Asian security, U.S.-East Asian relations, and Asia-Pacific multilateral organizations. Mr. Auslin, along with Messrs. Blumenthal and Griffin, commented on Japan's dramatic July 2007 parliamentary elections, and Mr. Auslin also addressed the handover of power from Shinzo Abe to Yasuo Fukuda in an *Asian Outlook*.

■ Mr. Eberstadt has been monitoring the domestic situation in North Korea. With Mr. Griffin, he wrote about North Korea's refugee crisis. This year, he published *The North Korean Economy: Between Crisis and Catastrophe* (Transaction), in which he argues that Pyongyang has deliberately—and perversely—blackmailed other countries by pouring resources into offensive military capabilities while letting its people endure severe famine and privation. Another April conference addressed the possibility of North Korean regime collapse.

■ AEI scholars also continue to monitor the rise of China. In December 2006, Mr. Blumenthal addressed how the United States and Japan can jointly confront Chinese hegemonic ambitions. Also in December, the AEI Press published Dwight H. Perkins's 2006 Henry Wendt Lecture, *The Challenges of China's Growth*. Among these challenges is China's consumer product safety record, which took a beating in 2007. Scott Gottlieb, M.D., testified before Congress and a government commission on Chinese products. Philip I. Levy has been studying Chinese trade and monetary policy and how these have been received in Washington. Claude Barfield and Andrei Zlate of Boston College are working on an AEI Press book about China and the rise of Asian regionalism in trade.

■ China's involvement in Africa, Asia, and Latin America is the focus of Mauro De Lorenzo, who held conferences this year on the power China wields in Darfur and Africa as a



Resident Fellow Dan Blumenthal, Henry Wendt Scholar in Political Economy Nicholas Eberstadt, Senior Fellow John R. Bolton, and Research Fellow Christopher Griffin

whole. Renato Cruz De Castro of De La Salle University in Manila wrote an *Asian Outlook* in July about how China has curried favor with the Philippines. Beijing's human rights record came in for criticism by Ellen Bork of the Project for a New American Century, whose May *Asian Outlook* exposed the different U.S. treatment of Soviet and Chinese dissidents. Mr. Blumenthal and Gary J. Schmitt have been following China's military buildup. They are also coordinating the new Tocqueville on China project to study China's contemporary civic culture.

■ In February, Mr. Griffin organized a conference on U.S.-Vietnamese relations. Speakers, including former ambassador to Vietnam Raymond Burghardt, discussed Washington's efforts to upgrade its relationship with Hanoi, given China's growing influence in Southeast Asia. In April and November, Messrs. Griffin and Blumenthal and Thomas Donnelly held workshops on U.S. security assistance to Indonesia. Michael A. Ledeen hosted a forum on Indonesia as a model for tolerant Islam. Joshua Muravchik moderated a panel on the Saffron Revolution in Burma.

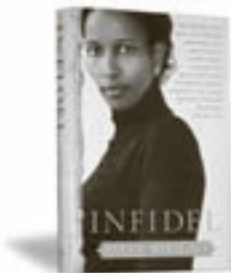
■ At a conference on constitutional change in Taiwan in January, panelists addressed the security consequences of Taiwan's amending its constitution. In September, Taiwanese president Chen Shui-bian addressed AEI by videoconference on the island nation's aspirations to join the United Nations. Messrs. Blumenthal and Schmitt study Taiwan's domestic politics and its relations with China and the United States.

■ *The American's* July/August issue included a special report on "the new Japan," including articles on how Japan revived its economy after the 1990s, its role in the global trade chain, and analysis of how Japan views itself, China, and the United States.

■ Messrs. Auslin, Blumenthal, and Griffin are examining many aspects of defense cooperation in Asia with a series of conferences and articles.

SOCIAL AND POLITICAL STUDIES

Healthy social and political institutions and norms are the foundations of international stability and economic freedom. The freedom Americans enjoy is not simply the absence of government interference, but rather the result of a political culture that animates the laws and principles of liberty. The Institute's scholars and fellows examine constitutional law, political campaigns and governance, public opinion, education, social welfare, demographics, and the relationship between religion and ordered liberty.



Free Press, 2007

"The circuitous, violence-filled path that led Ms. Hirsi Ali from Somalia to the Netherlands is the subject of Infidel, her brave, inspiring and beautifully written memoir."

—William Grimes, *New York Times*

"A profoundly moving memoir that celebrates triumph over adversity."

—*The New Yorker*



AEI Press, 2007

"No scholars in modern American law have thought more deeply about issues of federalism than Richard Epstein and Michael Greve. That they have combined in cooperation with superb contributors from a wide range of perspectives to explore in depth these fundamental issues is a major event in American constitutionalism. This is a work of great intelligence and insight that will provoke and shape debate on these vital issues for decades to come."

—Walter E. Dellinger, partner, O'Melveny & Myers, and former acting solicitor general of the United States (1996–97)

AEI FELLOWS & SCHOLARS



Ayaan Hirsi Ali is a resident fellow at AEI. A native of Somalia, she 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. Her 2007 memoir, *Infidel*, was an international bestseller. She is also the author of *The Caged Virgin: An Emancipation Proclamation for Women and Islam* (2006).



R. Glenn Hubbard is a visiting scholar at AEI and dean of Columbia Business School. He studies tax and budget issues, health care policy, international finance, and monetary policy. Since September 2006, Mr. Hubbard has been cochairman of the Committee on Capital Markets Regulation, which issued a report this year about U.S. competitiveness. His writings frequently appear in the *Financial Times* and the *Wall Street Journal*. He co-authored *Healthy, Wealthy, and Wise: Five Steps to a Better Health Care System* (AEI Press, 2005).



Frederick W. Kagan is a resident scholar specializing in defense transformation and spending, strategy, and warfare. He also researches land power in the U.S. armed forces. In 2007, he published three detailed reports recommending and monitoring the escalation of U.S. forces in Iraq. His most recent books, both published in 2006, are *The End of the Old Order: Napoleon and Europe, 1801–1805* and *Finding the Target: The Transformation of American Military Policy*. He contributes to AEI's *National Security Outlook* series.



Leon R. Kass, M.D., is AEI's Hertog Fellow and a member and former chairman of the President's Council on Bioethics. Dr. Kass studies bioethics, marriage, family, and social mores—subjects on which he has written for *Commentary* magazine, *The New Atlantis* and the *Wall Street Journal*. He is the author of several books, including *The Beginning of Wisdom: Reading Genesis* (2003), *Life, Liberty, and the Defense of Dignity: The Challenge for Bioethics* (2002), and *The Ethics of Human Cloning* (AEI Press, 1998, with James Q. Wilson).

Resident Fellow
Ayaan Hirsi Ali



Resident Scholar
Frederick M. Hess



Visiting Scholar
Arthur C. Brooks



Resident Fellow
Michael Barone



Resident Fellow
David Frum



Resident Scholar
Norman J. Ornstein



POLITICAL STUDIES

■ In April, AEI cosponsored with the Brookings Institution and the University of Pennsylvania a Capitol Hill conference on civility in American politics. Speakers are shown in the photo on the right.

■ In June, Newt Gingrich delivered the last of three speeches at AEI on the transformation of American government and introduced his “American Solutions” agenda.

■ The AEI-Brookings Election Reform Project had an active conferences program this year. In March, AEI hosted a discussion of 2006 election problems. Representative Vernon Ehlers (R-Mich.) gave the keynote address. In September, Mr. Fortier organized an AEI and Ohio State University College of Law conference on how to rate states’ administration of elections.

■ Karlyn Bowman released several new AEI public opinion studies in 2007 on women’s attitudes, economic insecurity, and voting patterns. She also updated poll collections on workers’ attitudes, the war in Iraq, and patriotism.

■ Political analyst Michael Barone joined AEI in August to study U.S. politics and elections. He writes for *U.S. News & World Report* and is the principal author of the authoritative biennial *Almanac of American Politics*, the most recent edition of which was published in August.



Senator Joseph Lieberman, House minority leader John Boehner, and University of Pennsylvania president Amy Gutmann at an AEI event on the Hill

■ Norman J. Ornstein and John C. Fortier are the editors of *Second Term Blues: How George W. Bush Has Governed* (Brookings Institution Press), based on conferences examining the governing and leadership style of George W. Bush.

■ AEI’s popular monthly *Political Report* features analysis of U.S. politics and elections, public opinion data, and more.

■ Messrs. Ornstein and Fortier keep tabs on Congress through their respective columns in *Roll Call* and the *Hill*.

■ David Frum writes about politics for *National Review* and Canada’s *National Post*. His forthcoming book, *Comeback: Conservatism That Can Win Again* (Doubleday, 2007), charts a new political agenda for conservatives.

■ Mr. Fortier wrote an article in the May edition of the *Yale Law Review* on a proposal to grant Puerto Rico representation in Congress. He testified before Congress on proposals to grant the District of Columbia representation in Congress.

AEI FELLOWS & SCHOLARS



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 months has been on the U.S. housing market and subprime lending sector. His articles have appeared in numerous publications worldwide, including the *Financial Times*, South Africa’s *Business Day*, Venezuela’s *Análitica*, the *Australian Financial Review*, *The International Economy*, and the *Washington Post*.



Freedom Scholar Michael A. Ledeen studies Iran, the Middle East, Italy, U.S.-Chinese relations, Africa, intelligence, and state sponsorship of terrorism. He is a contributing editor of *National Review Online*, for which he frequently writes about the struggle for freedom taking place in Iran. His most recent book, *The Iranian Time Bomb: The Mullah Zealots’ Quest for Destruction*, was published in 2007. His other books include *The War against the Terror Masters* (2002) and *Tocqueville on American Character* (2000).



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 Congressional Joint Economic Committee. His work has appeared in the *Wall Street Journal*, *The Cato Journal*, and the *Financial Times*.



Philip I. Levy joined AEI as a resident scholar in 2006 to study 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 writes for AEI’s *Development Policy Outlook* series.

SOCIAL AND CULTURAL ISSUES

■ Ayaan Hirsi Ali's memoir *Infidel* was released to rave reviews in the United States in February. The story of her journey from growing up as a Muslim in the upheaval of east Africa to becoming a prominent member of the Dutch parliament and a campaigner for women's rights, *Infidel* spent eleven weeks on the *New York Times* bestseller list. At a book forum broadcast on C-SPAN2's *Book TV*, Ms. Hirsi Ali spoke about the origins of *Infidel* and shared her admiration of the West, its freedom, and its openness. Christina Hoff Sommers wrote a cover story on the subjection of Islamic women in *The Weekly Standard*.

■ In October, Ms. Sommers convened a major conference on whether women are victims of bias in science and engineering, as a National Academy of Sciences report concluded in 2006. Simon Baron-Cohen, who researches psychological sex differences at Cambridge University, was the keynote speaker. Charles Murray also spoke.

■ Douglas J. Besharov and Nicholas Eberstadt are leading a project to examine the measurement and true definition of poverty by assessing alternative measures of income, consumption, and other indicators of material well-being. Mr. Besharov is also conducting studies on marriage, coresidency, and cohabitation as avenues off welfare and the effects of welfare reform on child care, work programs, early childhood education, food stamps, and health insurance.

■ Mr. Besharov published a forty-year review of the War on Poverty in the spring/summer issue of *Focus*, in which he argued that many African Americans have been left out of improvements in material well-being. In August, Mr. Besharov, Joseph Antos, and Karlyn Bowman spoke at a panel on the U.S. Census Bureau's "Income, Poverty, and Health Insurance Coverage" report.

■ Mr. Eberstadt continues to study health and demographic trends. With Hans Groth, M.D., a board member of Pfizer-Switzerland, he wrote an article in *Foreign Affairs* on some surprising silver linings in Europe's negative fertility trend. Europeans currently enjoy substantial health benefits and life expectancies. "Healthy aging" can allow Europeans to extend their working lives, which may in turn stimulate European economies. Mr. Eberstadt and Dr. Groth authored a 2007 AEI Press book on this subject, *Europe's Coming Demographic Challenge: Unlocking the Value of Health*.

■ Sally Satel, M.D., continues to research organ transplant policy and organ markets for a book. She wrote about this subject for *Policy Review*, the *Washington Post*, and *The American*.



Hertog Fellow Leon R. Kass, M.D.



Resident Scholar
Christina Hoff Sommers

■ In May, the AEI Press published *Global Population Aging and Its Economic Consequences*, by Ronald D. Lee, which discusses the implications of the worldwide combination of low fertility and low mortality that is resulting in older, more slowly growing—or even shrinking—populations.

■ At a November event moderated by Christopher DeMuth, Mr. Murray and James R. Flynn of the University of Otago in New Zealand debated the causes and implications of the differences in black and white students' test scores.

■ At a Bradley Lecture in February, Leon R. Kass, M.D., gave a theoretical presentation on the basic dignity of human being and the full dignity of being human. He published an article this year on human dignity in *The New Atlantis* and one on religion and science in *Commentary* magazine.

■ The W. H. Brady Program in Culture and Freedom analyzes modern American social and cultural trends. Last October, Mr. DeMuth moderated a Brady Program workshop on how religion interacts with culture and government. Participants included Mr. Eberstadt, Dr. Kass, Mr. Murray, David Gelernter, Michael S. Greve, Michael Novak, Fred Barnes of *The Weekly Standard*, and Marcello Pera, former president of the Italian senate.

■ In his latest book, *Americanism: The Fourth Great Western Religion*, Mr. Gelernter argues that Americanism is strongly based on faith-focused tenets. He explored these themes in a 2006 Bradley Lecture.

■ Mr. Novak is working on a book about atheism and modernity. He has written extensively on the subject this year.

■ Three of the four recipients of the 2007 Bradley Prizes, awarded by the Lynde and Harry Bradley Foundation for extraordinary achievement, have strong ties to the Institute: James Q. Wilson, chairman of AEI's Council of Academic Advisers; John R. Bolton; and Abigail Thernstrom, who is writing a book on the Voting Rights Act for the AEI Press.

EDUCATION STUDIES

■ AEI's newest *Outlook*, *Education Outlook*, written by Frederick M. Hess, was launched in January.

■ In November 2006, Mr. Hess and Thomas B. Fordham Foundation president Chester E. Finn Jr. held a daylong conference on an important aspect of No Child Left Behind (NCLB), its remedy provisions. The revised conference papers were published in September 2007 as *No Remedy Left Behind: Lessons from a Half-Decade of NCLB* (AEI Press).

■ Mr. Hess continued his work on educational entrepreneurship at a conference in October looking at the "supply side" of innovative school reforms. Speakers included Teach For America founder Wendy Kopp and new D.C. schools chancellor Michelle Rhee.

■ In May, the AEI Press released Mr. Hess's *Footing the Tuition Bill: The New Student Loan Sector*. The book charts the rise of private-sector student lending and served as a resource in the investigations of private lenders in the spring.

■ Senator Lamar Alexander (R-Tenn.), Richard D. Kahlenberg of the Century Foundation, and John Podesta of the Center for American Progress were among speakers at an October forum on Mr. Kahlenberg's new biography of union leader and education reformer Albert Shanker.



Author of *The Knowledge Deficit* E. D. Hirsch, Adjunct Scholar Abigail Thernstrom, Senior Fellow Lynne V. Cheney, and Resident Scholar and Director of Education Policy Studies Frederick M. Hess

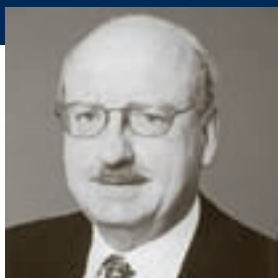
■ In a January series of *Wall Street Journal* op-eds, Charles Murray examined controversial topics such as intelligence and IQ, the purpose of a college education, more challenging education for the talented, and the importance of humility in the cognitive elite. Mr. Murray is working on a book about education and intelligence.

■ Papers from a major conference in May 2007 on the use of education research will be edited by Mr. Hess and published by Harvard Education Press in 2008.

■ Panelists at another May conference outlined the debate over international academic competitiveness versus "educational equity." Mr. Hess's June *Education Outlook* addressed these competing agendas.

■ Richard Vedder studies higher education at AEI under the auspices of the National Research Initiative. His research is featured on page 37 of this report.

AEI FELLOWS & SCHOLARS



Visiting Scholar John H. Makin examines tax and budget issues, monetary policy, international finance, and U.S. economic relations with Japan and China. He is the author of a number of books, including *Debt and Taxes* (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 the housing market, American consumerism, and Chinese economic policy.



Research Fellow Aparna Mathur joined AEI through the National Research Initiative. She studies health policy issues, especially the impact of high health care costs on consumer bankruptcy filings, as well as tax policy. She authored, with Kevin A. Hassett, a working paper on the depressive impact of corporate taxation on wages. Ms. Mathur has also contributed to *National Review* and *The American*.



Mark B. McClellan, M.D., is a visiting senior fellow at AEI. He is a former administrator for the Centers for Medicare & Medicaid Services and former commissioner of the Food and Drug Administration. Trained as a physician and an economist, Dr. McClellan studies health care policy and regulation, and he is developing and implementing ideas to drive improvements in high-quality, innovative, affordable health care.



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 international finance and monetary policy. He headed the International Financial Institution 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 the author of the award-winning tome *A History of the Federal Reserve System, Volume I: 1913-1951* (2002).

LEGAL AND CONSTITUTIONAL STUDIES

■ In August, the Institute announced the merger of the National Legal Center for the Public Interest (NLCPI) into AEI to form the AEI Legal Center for the Public Interest (AEILC). The NLCPI was founded in 1975 to foster knowledge about law and the administration of justice, especially with respect to individual rights, free enterprise, property ownership, and limited government. Ted Frank will direct the new center. In late September, the AEILC hosted a Supreme Court briefing, just as the NLCPI had done annually. In October, the AEILC held a session on *Stoneridge v. Scientific-Atlanta*. Speakers included former Securities and Exchange Commission chairman Harvey Pitt. Mr. Frank and Peter J. Wallison wrote *On the Issues* on the *Stoneridge* case in the spring.

■ At a June book forum, Michael S. Greve and Richard A. Epstein of the University of Chicago Law School spoke about their new anthology, *Federal Preemption: States' Rights, National Interests* (AEI Press, 2007). The essays in *Federal Preemption* illuminate the federal government's ability to supersede or displace state and local laws and include historical perspectives, industry-specific case studies, and theoretical underpinnings. A May forum featured Mr. Epstein's *Antitrust Consent Decrees in Theory and Practice: Why Less Is More* (AEI Press, 2007).

■ AEI hosted then-attorney general Alberto R. Gonzales in January. He spoke about the judiciary's role in a democracy, with special attention to several Supreme Court cases involving national security issues.

■ In June, the Supreme Court ruled in two key free speech cases that schools can discipline students for untoward expression but that issue advocacy in political campaigns is constitutional. This distinction is a landmark of Walter Berns's argument that the Founders intended to protect political speech, but that other forms of expression do not necessarily warrant First Amendment protection.

■ Jeremy A. Rabkin of the George Mason University School of Law and AEI's Council of Academic Advisers, Susan Biniaz of the State Department, and Coast Guard rear admiral John E. Crowley discussed the Convention on the Law of the Sea's implications for national security at a July conference. Mr. Rabkin and Jack Landman Goldsmith wrote about the treaty in the *Washington Post*, and AEI published Mr. Rabkin's remarks for distribution to policymakers.

■ In April, John Yoo debated Bruce Ackerman of Yale University in a weeklong series on the *Los Angeles Times* op-ed page entitled "Congress at War."



Former attorney general
Alberto Gonzales



Resident Fellow Ted Frank

■ Mr. Goldsmith's *The Terror Presidency: Law and Judgment Inside the Bush Administration* (W. W. Norton) was published in September. It recounts his role in Justice Department deliberations on terrorism issues.

■ Mr. Frank wrote a September *Liability Outlook* about the role of trial lawyers in shaping terrorism policy.

■ The AEILC and the Federalist Society hosted a conference in September on the international law implications of *Medellin v. Texas*. Texas solicitor general R. Ted Cruz spoke at the event, and Mr. Yoo moderated.

■ This fall, Edward Blum published *The Unintended Consequences of Section 5 of the Voting Rights Act* (AEI Press) on how the Voting Rights Act reduces competition elections and contributes to ideological polarization.

■ Mr. Frank's other *Liability Outlooks* this year addressed problems in product liability litigation, the Class Action Fairness Act of 2005, and the Roberts Court's treatment of liability issues. The Roberts Court and its treatment of business was also the subject of one of Mr. Greve's *Federalist Outlooks*. In 2007, *Federalist Outlook* was renamed *Constitutional Outlook*.

■ In April, Mr. Frank moderated a session at which George Mason University law professor David E. Bernstein spoke on standards for scientific evidence used in the courtroom. A June conference convened by Mr. Frank featured panelists discussing three recent studies on the effects liability reforms have had on medical malpractice insurance premiums.

■ AEI hosted two conferences on the Supreme Court case *Massachusetts v. EPA*, one of which was moderated by Mr. Greve. C-SPAN broadcast that conference, as well as a November 2006 conference on *Watters v. Wachovia Bank* moderated by Mr. Frank.

OUTREACH

The research conducted by AEI's scholars and fellows is intended to have a practical effect: achieving 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.

The following pages illustrate how AEI contributes to public policy discourse. AEI distributes a monthly newsletter, summaries of its conferences, and *On the Issues*—a series of the best general-interest articles its scholars publish. The Institute also publishes fifteen *Outlooks*, longer analytical essays on pressing policy issues. The *Outlooks* include monthly publications on



developments in the U.S. and world economies, national security issues, and financial services; a quarterly report on Russia; and frequent editions on Asia, Europe, the Middle East, Latin America, the environment, constitutional law, economic development, health policy, liability, and tax policy. In 2007, AEI launched its *Education Outlook*, written by Frederick M. Hess.

The Institute continues to ramp up 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. This summer, AEI also launched AEI Today Mobile Edition, a smartphone-friendly version of its widely distributed daily e-newsletter. AEI is launching a new website; for more information about it, see pages 34–35.

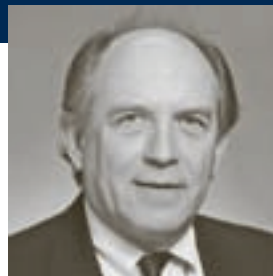
AEI FELLOWS & SCHOLARS



Thomas P. Miller joined AEI in 2006 as a resident fellow in economic policy studies. Previously a senior health economist at Congress's Joint Economic Committee, he studies health information, consumer resources, interstate insurance competition, and high-cost health insurance claims. In a 2007 *On the Issues*, he examines how health policy issues are affecting the 2008 presidential campaign.



Resident Scholar Joshua Muravchik studies democracy and the diplomatic, institutional, and cultural particulars that hinder or advance its spread. He is currently working on a book about Arab democrats. He is most recently the author of *The Future of the United Nations: Understanding the Past to Chart a Way Forward* (AEI Press, 2005). Additional books include *Heaven on Earth: The Rise and Fall of Socialism* (2002). Mr. Muravchik's essays and reviews frequently appear in major journals, magazines, and newspapers.



W. H. Brady Scholar Charles Murray wrote two of the most important books on social policy of the past quarter century: *The Bell Curve: Intelligence and Class Structure in American Life* (1994, with Richard J. Herrnstein) and *Losing Ground: American Social Policy, 1950–1980* (1984). His most recent book is *In Our Hands: A Plan to Replace the Welfare State* (AEI Press, 2006). In 2007, he wrote three essays in the *Wall Street Journal* exploring education, intelligence, and America's future, and he is currently writing a book exploring those themes.



Visiting Fellow Roger F. Noriega came to AEI in fall 2005, having previously served as assistant secretary at the Bureau of Western Hemisphere Affairs in the State Department. Ambassador Noriega coordinates the Institute's program on Western Hemisphere issues and is the principal author of AEI's *Latin American Outlook* series, which is published in English and Spanish.

AEI PRESS

■ The AEI Press is an important conduit for disseminating the ideas of the Institute's scholars and other leading thinkers. Some highlights from the Press's recent books appear below.

■ In *Russia's Revolution: Essays 1989–2006*, Leon Aron traces seventeen years of Russian political, economic, social, and cultural development from glasnost and perestroika to the Putin restoration.

■ Gary J. Schmitt and Thomas Donnelly coedited *Of Men and Materiel: The Crisis in Military Resources*, which examines deficiencies in each military branch and proposes ways to develop the military the United States needs.

■ In *Federal Preemption: States' Rights, National Interests*, editors Richard A. Epstein and Michael S. Greve compile essays on federalism's constitutional basis and its practical applications today.

■ Claude Barfield and John E. Calfee authored *Biotechnology and the Patent System: Balancing Innovation and Property Rights*, a timely discussion of biotechnology patent reform.

■ In *Strategic Options for Bush Administration Climate Policy*, Lee Lane explores options that policymakers might consider—such as increased development of clean-energy technologies and the adoption of a carbon tax—as well as the costs and benefits of current policies.

■ Coauthored by Richard Vedder and Wendell Cox, *The Wal-Mart Revolution: How Big-Box Stores Benefit Consumers, Workers, and the Economy* was published late in 2006. The *Financial Times* said “the strength of the book lies in its summaries of economic evidence.”

■ *The Challenges of China's Growth*, by Dwight H. Perkins, asks whether China can make the institutional changes and reforms that will be required to reach significantly higher levels of productivity and income and whether continuing growth will unleash unpredictable social or political forces.

■ Mr. Epstein contributed a new volume to AEI's work on antitrust policy. In *Antitrust Consent Decrees in Theory and Practice: Why Less Is More*, he argues that the aggressive use of consent decrees in antitrust cases unduly impedes firms' ability to compete.

■ *Europe and Islam*, Bernard Lewis's 2007 Irving Kristol Lecture, provides historical context for the clash of religious ideologies between Islam and Christianity. Mr. Lewis discusses



two eras of European-Islamic collision and explores the challenges Europe faces at the beginning of a third era.

■ In *Global Population Aging and Its Economic Consequences*, demographer Ronald D. Lee explains how the risks of older, more slowly growing populations can be contained with foresight and prudent public policy.

■ Nicholas Eberstadt and Hans Groth, M.D., authored *Europe's Coming Demographic Challenge: Unlocking the Value of Health*, in which they argue that healthy aging is a silver lining in Europe's cloudy demographic future.

■ *Footing the Tuition Bill: The New Student Loan Sector*, edited by Frederick M. Hess, examines the rise of private lending and considers how revamping the industry can ensure that all Americans have access to college. Also in 2007, the AEI Press published *No Remedy Left Behind: Lessons from a Half-Decade of NCLB*, edited by Mr. Hess and Chester E. Finn Jr.

■ The twelfth edition of the *Index of Leading Environmental Indicators*, by Steven F. Hayward and Amy L. Kaleita (copublished by AEI and the Pacific Research Institute), highlights positive developments in environmental research.

■ Peter J. Wallison and Robert E. Litan argue in *Competitive Equity: A Better Way to Organize Mutual Funds* that current policies regulating mutual funds hurt investors by discouraging price competition, keeping costs higher than they would otherwise be.

■ The first book in AEI's Studies on Medicare Reform series appeared in 2007. In *The Diagnosis and Treatment of Medicare*, Andrew J. Rettenmaier and Thomas R. Saving argue that only fundamental reform of Medicare will stave off the financial burden for future generations.

■ Edward Blum's monograph *The Unintended Consequences of Section 5 of the Voting Rights Act* looks at the practical challenges local governments have faced in complying with the Voting Rights Act.

■ The AEI Press has begun reissuing a number of the Institute's early publications. The first of the “AEI Classics” is a pamphlet written by the late Edward C. Banfield in 1963 on U.S. foreign aid programs.

THE AMERICAN

■ AEI's new bimonthly publication, *The American: A Magazine of Ideas*, debuted last November to rave reviews. The response to the magazine's first year of publication indicates that the magazine is, in editor-in-chief James K. Glassman's words, "on track in its effort to bring ideas back to their rightful place in journalism." Of the nine hundred magazines launched in 2006, *The American* was ranked as one of the fifteen "hottest" by the definitive MrMagazine.com. The magazine's circulation has grown to more than 60,000, with strong renewals. *The American* also launched a dynamic website at www.american.com in April, and it receives more than 170,000 unique visitors each month.

■ *The American's* inaugural issue featured provocative articles on underpaying our best CEOs and on the roots of Lou Dobbs's new populism. Cover stories in 2007 included a look at very tall skyscrapers, the golden age of medical innovation, white-collar criminals in federal prison, the new Japan, and the reasons for the 1987 stock market drop. The magazine's issues have also featured special reports on health innovation, energy and the environment, education, Japan, and finance.

■ In the past year, *The American* has interviewed Craig Barrett of Intel, who worried about declining American dominance in science; Nasdaq CEO Bob Greifeld, who discussed physical and intellectual fitness; Andrew Liveris, Dow



Chemical's CEO, who is concerned about taxes, litigation, and energy policies that drive factories offshore; and Kevin Sharer, CEO of Amgen, on threats to and the promise of the pharmaceutical business. Free market enthusiast Charles Koch of Koch Industries praised the virtues of market-based management, and WellPoint CEO Angela Braly talked about challenges to private sector health care.

■ Regular features include the magazine's "Q&A" section that separated fact from fiction on global warming, the trade deficit, Medicare, energy independence, and K-12 education. "The American Scene" surveys interesting new research across many areas on issues as varied as pay for media anchors and Hollywood stars to coffee ratings. A new feature by Karlyn Bowman, "DataPoints," examines public opinion. The "Americana" column is written by Amity Shlaes, author of *The Forgotten Man* (see page 37). Each issue also profiles an economist under the age of forty who is a rising star in the profession.

■ In September, Duncan Currie, formerly of *The Weekly Standard*—and a contributing editor of *The American*—joined the magazine as managing editor.

AEI FELLOWS & SCHOLARS



Michael Novak is the George Frederick Jewett Scholar in Religion, Philosophy, and Public Policy. 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 *Washington's God* (2006), which he coauthored with his daughter Jana Novak. Mr. Novak is also the author of *The Universal Hunger for Liberty* (2004) and the landmark book *The Spirit of Democratic Capitalism* (1982). He is working on a book about atheism.



Resident Scholar Norman J. Ornstein writes about politics, Congress, and elections in his weekly *Roll Call* column. He is codirector of the AEI-Brookings Election Reform Project and founder and director of the Campaign Finance Reform Working Group. Mr. Ornstein's most recent books on American politics and political institutions are *Second-Term Blues: How George W. Bush Has Governed* (2007, edited with John C. Fortier) and *The Broken Branch: How Congress Is Failing America and How to Get It Back on Track* (2006, with Thomas E. Mann).



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 author of *An End to Evil: How to Win the War on Terror* (2003, with David Frum) and *Hard Line* (1992), a political novel.



Danielle 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 publications including the *Financial Times*, the *New York Times*, the *Wall Street Journal*, the *International Herald Tribune*, the *Washington Post*, and the *Los Angeles Times*.

MEDIA RELATIONS

■ The work of AEI scholars is cited virtually every day in the national media, and Institute scholars appear regularly on television and radio. Their work is also featured frequently in leading newspapers and magazines. A steady stream of journalists comes to AEI conferences. In addition, the press office brings bureau chiefs, key reporters, and columnists together with AEI scholars to discuss important topics.

■ AEI events are regularly covered by major television networks. In the first three quarters of 2007, C-SPAN covered twenty-two conferences. Other networks broadcasting from AEI included ABC, CBS, NBC, FOX, CNN, the BBC, and Bloomberg Television. The photo below shows camera crews from fourteen national and international outlets covering an AEI event on Iraq.

■ The pages of the nation's largest newspapers regularly feature op-eds by AEI scholars. In the first three quarters, over 110 of their articles were published in papers like the *Wall Street Journal*, the *New York Times*, *USA Today*, the *Los Angeles Times*, and the *Washington Post*—up from sixty-four last year. The *Wall Street Journal*, the *Washington Post*, and the *New York Times* publish more essays from AEI scholars than from five other major think tanks combined.

■ Ayaan Hirsi Ali's memoir *Infidel* (see page 27) attracted a tidal wave of media attention and was featured in a wide variety of outlets. An international bestseller, *Infidel* was reviewed in the *New York Times*, the *Times* of London, *The Economist*, the *Washington Post*, and other major publications. Ms. Hirsi Ali was also interviewed for a number of radio and TV programs including NPR's *Talk of the Nation* and FOX News Channel's *Hannity & Colmes*.

■ *New York Times* columnist David Brooks selected Nicholas Eberstadt's "The Mismeasure of Poverty," originally published in *Policy Review's* August/September 2006 issue, as a

recipient of one of his Sidney Awards for the best magazine essay of 2006.

■ Several of AEI's *Outlooks* are translated into other languages, enabling foreign media to cover the Institute's work more easily. Michael Rubin's February *Middle Eastern Outlook*, published in Turkish, received coverage on Turkish television during that country's recent election campaign.

■ The April issue of *Vanity Fair* included a pictorial portfolio of key presidential advisers from the Truman to Clinton administrations. Ben J. Wattenberg shared the spotlight with four other top-ranking Lyndon Johnson aides. His popular PBS program, *Think Tank*, is now in its thirteenth season.

■ AEI scholars are also columnists and editors. Michael 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 a polling feature for the magazine's website. John C. Fortier writes about U.S. politics and elections in the *Hill*. David 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*. David Gelernter, Reuel Marc Gerecht, and Frederick W. Kagan are contributing editors of *The Weekly Standard*. In addition to editing *The American*, James K. Glassman writes a monthly column for *Kiplinger's Personal Finance*. Christopher Griffin is the associate editor of *Armed Forces Journal*, for which he also writes a regular feature on military bloggers. Kevin A. Hassett writes a weekly column about the U.S. economy for Bloomberg.com, and he also writes regularly for *National Review*. National fellow Herbert G. Klein writes a column for Copley News Service. Michael A. Ledeen and Michael Novak are contributing editors of National Review Online. Norman J. Ornstein applies his intimate knowledge of Congress to his weekly *Roll Call* column. AEI's government relations director, Nick Schulz, is the editor of TCS Daily and a senior editor of *The American*.

■ The Institute's scholars and fellows also contribute to a number of blogs. Mr. Barone writes a blog for *U.S. News's* website. Mr. Frum blogs for National Review Online. Dan Blumenthal has written for TPMCafe's Book Club, and Mr. Ornstein occasionally blogs at the Huffington Post. *Commentary* magazine's Contentions blog features writing from Michael Auslin, Mr. Gelernter, and Joshua Muravchik. Ted Frank blogs at Overlawyered and PointofLaw.com.



Senator John McCain meets the press after an AEI event

Media cover the AEI event "Iraq: A Turning Point" on January 5



AEI.ORG

■ Nearly seven in ten adult Americans now report using the Internet at least occasionally. Using 2000 Census data, that translates to roughly 146 million Internet users. To reach the growing Internet audience and to inform it about AEI's work, the Institute is undertaking a major redesign of its website. The redesign is intended to make the AEI site more user-friendly, and it tailors content to the interests of individual users while emphasizing new media like podcasts, video clips, and RSS feeds.

■ One of the most important purposes of the AEI website is to update viewers quickly on scholars' work. The homepage displays an interactive feature that provides a quick glimpse of AEI scholars' multifaceted work—from books and events to articles relating to the news. These features, in turn, serve as gateways to unique pages summarizing the work of scholars on more specific topics, such as the war on terrorism.

■ In addition to this interactive feature, a list of hot topics provides quick links to recently published articles by AEI scholars. The homepage also displays chronological listings of articles and commentary and upcoming events at AEI, as well as featured videos.

■ The navigation menus reflect the improved organization of the new site and direct users to content by type (such as



A draft version of the new AEI website

AEI FELLOWS & SCHOLARS



Resident Fellow Alex J. Pollock researches financial markets, government-sponsored enterprises, and pension insolvency. Previously, he served as president and CEO of the Federal Home Loan Bank of Chicago. His writings have appeared in the *Financial Times*, the *Wall Street Journal*, *American Banker*, and *Barron's*. In 2007, he wrote extensively on the subprime mortgage lending crisis and developed a new, one-page mortgage disclosure form for borrowers for which he has received acclaim. He is a regular contributor to AEI's *Financial Services Outlook* series.



Visiting Fellow Sarath Rajapatirana studies international trade patterns and policies in the developing world and is an economic adviser to the World Bank, a position he has held since 1975. In 2007, he cowrote a *Development Policy Outlook* on a "Marshall Plan" for Africa. His most recent books are *The Trade Policies of Developing Countries: Recent Reforms and New Challenges* (2000) and *Liberalization and Industrial Transformation: Sri Lanka in International Perspective* (2000, with Prema-chandra Athukorala).



Vincent R. Reinhart joined AEI as a resident scholar in October 2007. Formerly a senior adviser to the Division of Monetary Affairs at the Federal Reserve Board, Mr. Reinhart will study monetary policy and international finance at the Institute. The author of several book chapters, he has also been published in *The American Economic Review*, *Review of International Economics*, and the *International Journal of Finance & Economics*.



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 coauthor of *Eternal Iran: Continuity and Chaos* (2005) and author of *Into the Shadows: Radical Vigilantes in Khatami's Iran* (2001). In 2006, he became the primary author of AEI's *Middle Eastern Outlook* series, which is published in English, Arabic, and Farsi. He is the editor of the *Middle East Quarterly*, and he has written for *National Review*, the *Washington Post*, and the *Turkish Policy Quarterly*.

AEI.ORG, *continued*

books, events, or articles), as well as by subject (such as monetary policy, Russia, or education). For advanced searches, the new website uses a Google search engine, enabling visitors to find exactly what they need.

■ The PUBLICATIONS section displays chronological listings of publications—such as AEI’s popular *Outlook* series, articles and commentary, working papers, government testimony, and speeches—as well as features promoting new works. The BOOKS section will inaugurate a new e-commerce system and connect users to the AEI Press, AEI Classics series, and other books by AEI scholars.

■ The “smart calendar” in the EVENTS section is an interactive monthly calendar of upcoming events. It reminds users about their registration for upcoming events and gives them access to recently posted video and audio materials and transcripts from past events.

■ The RESEARCH AREAS section organizes the volumes of content on AEI.org by subject rather than type. These pages paint a comprehensive picture of how particular areas of study relate to the news and policy developments.

■ The SCHOLARS AND FELLOWS section provides biographical information about AEI scholars, including their work experience; education; and recent publications, speeches, and government testimony. Contact information for scholars and their assistants is prominently displayed at the top of the page next to a downloadable, high-resolution photo of the scholar.

Draft layouts for AEI e-newsletters



AEI Web Project Manager Elizabeth Roodhouse

■ The AEI website also provides a way to reach potential donors—individuals, corporations, and foundations 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 relied upon by many government officials, business executives, and journalists.

■ Individuals seeking jobs or internships at AEI now apply online. The database application creates an efficient flow of information for AEI’s human resources department, permitting it to search for specific skills and to find an applicant’s complete record.

■ In conjunction with its website redesign, AEI is also redesigning its e-newsletters: the daily AEI Today, the biweekly AEI in an Instant, the regular Academics and AEI, and frequent topical updates. These will be upgraded to reflect the new organization of AEI.org, and they will offer e-newsletter subscribers greater ease of reading and navigation and allow the Institute to better tailor content for the policymakers, business leaders, journalists, scholars, and supporters who are among AEI’s tens of thousands of online subscribers.

■ Three talented young people are helping to redesign AEI’s website. Elizabeth Roodhouse is managing the website redesign. After receiving a master’s degree in English at the University of Virginia, Elizabeth became the lead consultant at the university’s Digital Media Lab. At the university’s tech camps, she taught web design to youngsters aged 10–17. Joe Faust, AEI’s web programmer, started programming at the College of Charleston, where he majored in business and accounting and became the webmaster for the computer science department. After working for a computer consulting group in the Philadelphia area and continuing technical computer education, he joined AEI in October 2006. Laura Drinkwine, the web editor, joined AEI in May 2007 after working as a deputy press secretary on Capitol Hill. Before that, she taught high school English in Ohio.

ACADEMIC RELATIONS

■ AEI is a bridge between the policy and scholarly communities, using scholarly research to address pressing policy problems. The Institute's eleven-member Council of Academic Advisers, chaired by political scientist James Q. Wilson, advises AEI's president on the Institute's research agenda, publications, and appointments. The council selects the recipient of the Irving Kristol Award.

■ The Institute has more than eighty adjunct fellows at universities across the United States and abroad. Many hold positions at the world's most prestigious universities, and top academics routinely take part in AEI conferences, seminars, and programs.

■ AEI scholars also hold key positions at universities: R. Glenn Hubbard is the dean of Columbia University's Graduate School of Business, Leon R. Kass, M.D., is the Addie Clark Harding Professor in the College at the University of Chicago, N. Gregory Mankiw is the Robert M. Beren Professor of Economics at Harvard, and Adam Lerrick and Allan H. Meltzer hold named professorships at Carnegie Mellon University.

■ AEI scholars publish in leading academic journals. Leon Aron has written for the *Journal of Democracy*. Roger Bate wrote on U.S. global health assistance in the *Journal of the*



Judith Eaton, president of the Council for Higher Education Accreditation

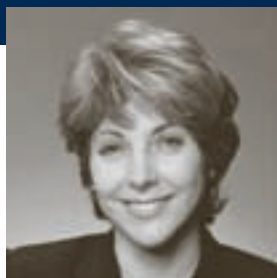


David Weisbach of the University of Chicago Law School

Royal Society of Medicine, he also writes a quarterly column for *Economic Affairs*. Nicholas Eberstadt has written this year in *Asia Policy*. John C. Fortier wrote in the *Yale Law Journal* about Puerto Rican representation. Scott Gottlieb, M.D., addressed the Food and Drug Administration's RiskMaps in *Health Affairs*. Christopher Griffin wrote on China and the transatlantic alliance for *SAIS Review*. Frederick M. Hess looked at education issues in the *Phi Delta Kappan* and *Teachers College Record*. Frederick W. Kagan and Michael Rubin contributed to the *Yale Journal on International Affairs*, and Thomas P. Miller addressed "distributive injustice" in the *Journal of Law and Contemporary Problems*. AEI scholars also edit scholarly journals: Mr. Rubin edits the *Middle East Quarterly*, and Mr. Hess is the executive editor of *Education Next*.

■ In 2007's three intern sessions, the popular AEI internship program hosted more than 110 interns. Michelle Sikes, a 2006 intern for Sally Satel, M.D., was elected a 2007 Rhodes Scholar.

AEI FELLOWS & SCHOLARS



Resident Scholar Sally Satel, M.D., is a practicing psychiatrist. She is writing a book on organ transplant policy, and she studies 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 books are *The Health Disparities Myth: Diagnosing the Treatment Gap* (AEI Press, 2006, with Jonathan Klick) and *One Nation under Therapy: How the Helping Culture Is Eroding Self-Reliance* (2005, with Christina Hoff Sommers).



Resident Scholar Gary J. Schmitt is director of the Institute's Program on Advanced Strategic Studies, which focuses on critical long-term issues affecting American national security. In 2007, he coedited, with Thomas Donnelly, *Of Men and Materiel: The Crisis in Military Resources* (AEI Press). Mr. Schmitt is also the coauthor of *Silent Warfare: Understanding the World of Intelligence* (2002) and a frequent author of opinion pieces appearing in the *Wall Street Journal*, *The Weekly Standard*, and the *New York Times*.



Visiting Fellow Joel Schwartz researches air pollution and chemical risks. The author of *No Way Back: Why Air Pollution Will Continue to Decline* (AEI Press, 2003), he is a contributor to AEI's *Environmental Policy Outlook* series and frequently writes articles for TCS Daily, National Review Online, World Climate Report, and other publications. His newest book is the forthcoming *Air Quality in America: A Dose of Reality on Air Pollution Levels, Trends, and Health Risks* (AEI Press, 2007, with Steven F. Hayward).



Resident Scholar Christina Hoff Sommers studies feminism, culture, and morality in American society. Her most recent book is *One Nation under Therapy: How the Helping Culture Is Eroding Self-Reliance* (2005), which she coauthored with Sally Satel, M.D. Ms. Sommers's other books include *The War against Boys: How Misguided Feminism Is Harming Our Young Men* (2000) and *Who Stole Feminism? How Women Have Betrayed Women* (1994). Her writing has appeared in a wide range of publications, including the *Wall Street Journal*, the *Journal of Philosophy*, and the *Times of London*.

NATIONAL RESEARCH INITIATIVE

■ AEI's National Research Initiative (NRI), now in its sixth year, supports independent research by university-based academics, journalists, and scholars. NRI's scope is wide, covering most areas of domestic policy. The scholarship listed below is supported by NRI.

■ Arthur C. Brooks, a professor at Syracuse University, joined AEI in July as a visiting scholar. At AEI, he researches social entrepreneurship and the relationship between the scope and size of government and happiness. He published several essays on these subjects in the *Wall Street Journal* in 2007. In December 2006, NRI director Henry Olsen moderated a forum on Mr. Brooks's latest book, *Who Really Cares: The Surprising Truth about Compassionate Conservatism*. The book shatters stereotypes about charity, examining in depth who gives and why they give.

■ After serving on the Spellings Commission on the Future of Higher Education in 2005–2006, Richard Vedder convened a March 2007 NRI conference to discuss the commission's findings. Secretary of Education Margaret Spellings was the keynote speaker. Other panelists, including Charles Murray, Cornell University's Ron Ehrenberg, former deputy education secretary Eugene Hickok, and former Harvard College dean Harry R. Lewis, also spoke about the report. In September, NRI organized a conference on higher education accreditation, with Spellings Commission chairman Charles Miller giving the keynote speech. Mr. Vedder moderated.

■ In late 2006, Mr. Vedder and Wendell Cox coauthored the NRI volume *The Wal-Mart Revolution: How Big-Box Stores Benefit Consumers, Workers, and the Economy*. The book was well-reviewed. Michael Barone and Wal-Mart Watch founder Andrew Grossman discussed the book with Mr. Vedder at a February event.

■ Edward Blum published *The Unintended Consequences of Section 5 of the Voting Rights Act* (AEI Press), which shows how Section 5 is used for partisan and ideological purposes unforeseen when the act became law.

■ In July, Derek Neal of the University of Chicago presented a paper on how the No Child Left Behind Act (NCLB) has affected student proficiency scores. He concluded that NCLB has had the smallest effects on students who already perform well and those who almost never perform well and that its imposition of universal standards forces schools to leave the lowest-performing students behind. Mr. Murray, one of the discussants, argued that Mr. Neal's research confirms that NCLB's benefits have been trivial. Mr. Olsen moderated.



Secretary of Education Margaret Spellings speaking at an NRI conference

■ Joel Schwartz and Steven F. Hayward's forthcoming NRI book, *Air Quality in America: A Dose of Reality on Air Pollution Levels, Trends, and Health Risks* (AEI Press, 2007), shows that air quality has improved and will continue to improve under existing regulations, calling into question the Environmental Protection Agency's recent efforts to tighten ozone standards.

■ An NRI monograph series by Steven J. Davis and several other academics aims to broaden the discussion of economic well-being beyond income inequality and poverty indices.

■ Kenneth Lehn, Leonce Bargeron, and Chad Zutter of the University of Pittsburgh and Kate Litvak of the University of Texas School of Law have prepared studies of the effects of Sarbanes-Oxley on corporate risk-taking, which they presented at events moderated by Peter J. Wallison.

■ John L. Chapman is an NRI fellow in economics, studying corporate finance, industrial organization, and monetary theory and policy. He hosted a major conference in November 2007 on the private equity sector; speakers included R. Glenn Hubbard, Michael C. Jensen of Harvard Business School, and David M. Rubenstein of the Carlyle Group. In September, Jason Richwine joined the Institute as an NRI fellow studying immigration, welfare policy, and social psychology. NRI's popular doctoral and postdoctoral fellowship programs expand AEI's voice and influence in the academy. Several AEI scholars joined the Institute through NRI fellowships, including Roger Bate and Aparna Mathur.

■ In June, Amity Shlaes of Bloomberg and the Council on Foreign Relations published *The Forgotten Man: A New History of the Great Depression* (HarperCollins). In the book—and a Bradley Lecture in April—she argues that the “forgotten men” were those who paid for the decisions of big government, not its beneficiaries. Ms. Shlaes wrote the book with an NRI grant. Jon Entine's new book, *Abraham's Children: Race, Identity, and the DNA of the Chosen People* (Grand Central Publishing), was published in October. NRI supported the research for the book, as it did for *Federal Preemption*, discussed on page 29, and *No Remedy Left Behind*, discussed on page 28.

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. Forums are also held for new books by AEI scholars. Other AEI conferences take place on Capitol Hill, in government briefing rooms, in major U.S. cities, and overseas. During the first nine months of 2007, AEI held more than 130 conferences and other events, twenty-two of which were covered by C-SPAN. Visitors to AEI's website can view videos, download podcasts of most conferences, or read conference summaries.

■ On March 7, historian Bernard Lewis delivered the Irving Kristol Lecture, entitled "Islam and Europe," and received the Irving Kristol Award at AEI's annual dinner. Reuel Marc Gerecht said in a 2006 article in celebration of Lewis's ninetieth birthday, "He has joined that elite group of academics . . . who have decisively shaped public discourse."

■ In his January Bradley Lecture, Lawrence M. Mead of New York University spoke on "The Poverty Issue at the End of History," arguing that poverty is viewed more as a result of behavioral choices rather than economic injustice. In his March Bradley Lecture, Paul Hollander of the University of Massachusetts at Amherst explained why some Western intellectuals were drawn to communism, and why many later



Bernard Lewis receives the 2007 Irving Kristol Award from Resident Fellow Reuel Marc Gerecht and AEI Council of Academic Advisers Chairman James Q. Wilson

abandoned it. In April, Amity Shlaes of Bloomberg spoke about her newest book, *The Forgotten Man: A New History of the Great Depression*. George L. Priest of Yale Law School, a member of AEI's Council of Academic Advisers, delivered the final Bradley Lecture of 2006–2007, arguing that the U.S. founding and American expansion were motivated largely by economic opportunity. The 2007–2008 Bradley Lectures kicked off in September with Lynne Olson, author of *Troublesome Young Men: The Rebels Who Brought Churchill to Power and Helped Save England*.

■ In October, C. Peter Timmer of Tufts University gave the sixth Henry Wendt Lecture, arguing that poor countries can reduce poverty by developing their agriculture sectors.

■ The AEI World Forum is held each June in Beaver Creek, Colorado. The twenty-sixth 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 global issues.

AEI FELLOWS & SCHOLARS



Samuel Thernstrom, director of the AEI Press and of AEI's W. H. Brady Program on Culture and Freedom, studies the science and politics of global warming as well as American political culture. He is a contributor to AEI's *Environmental Policy Outlook* series and has written widely on these issues elsewhere.



Visiting Fellow Bill Thomas joined AEI in 2007. He 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.



Visiting Scholar Richard Vedder studies higher education financing, labor economics, immigration, government fiscal policy, and income inequality. He is also a distinguished professor of economics at Ohio University and director of the Center for College Affordability and Productivity. Mr. Vedder is the author of several books, including, most recently, *The Wal-Mart Revolution: How Big-Box Stores Benefit Consumers, Workers, and the Economy* (AEI Press, 2006, with Wendell Cox) and *Going Broke by Degree: Why College Costs Too Much* (AEI Press, 2004).



Resident Scholar Alan D. Viard joined AEI in 2006 to study federal tax and budget policy and Social Security. Previously a senior economist at the Federal Reserve Bank of Dallas, he has published articles in *The Journal of Law & Economics*, the *Journal of Public Economic Theory*, *Public Finance Review*, *Tax Notes*, and the *Australian Financial Review*, and on Forbes.com. At AEI, Mr. Viard is the author of the *Tax Policy Outlook* series.

GOVERNMENT RELATIONS

■ 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 improving access to insurance before the Senate Committee on Health, Education, Labor and Pensions; Douglas J. Besharov, who addressed early childhood education before the Joint Economic Committee; Scott Gottlieb, M.D., who spoke about the safety of Chinese imports to the Senate Commerce Committee; Kevin A. Hassett, who spoke on the alternative minimum tax before the Senate Finance Committee; Frederick W. Kagan, who assessed the Iraq surge for the House Foreign Affairs Committee; James R. Lilley, who briefed the House Foreign Affairs Committee on North Korea; John H. Makin, who testified about China's currency policy before the Senate Finance Committee; Mark B. McClellan, M.D., who testified before the House Budget Committee about Medicare Advantage; Alex J. Pollock, who spoke before the Joint Economic Committee about subprime lending; Michael Rubin, who appeared before the House Foreign Affairs Committee to speak about Iraq policy options; Sally Satel, M.D., who spoke about post-traumatic stress disorder before the House Veterans' Affairs Committee; and Richard Vedder, who testified before the Joint Economic Committee about economic insecurity.

■ From President Bush on down, many senior government officials spoke at AEI in 2007. The president gave a major policy address on the war on terror in February. Four cabinet secretaries spoke at AEI this year: then-attorney general Alberto R. Gonzales, Secretary of Commerce Carlos Gutierrez, Secretary of Health and Human Services Michael Leavitt, and Secretary of Education Margaret Spellings.

■ Senators John McCain (R-Ariz.) and Joseph Lieberman (I-Conn.) spoke at an Iraq conference in January. Senator Tom Coburn (R-Okla.) spoke on transparency in foreign aid in June. Senator Jon Kyl (R-Ariz.) and Representative Brad Sherman (D-Calif.) briefed policymakers and reporters on divestment from Iran in July. Senator Lindsey Graham (R-S.C.) spoke about progress in Iraq in September. In October, Senator Lamar Alexander (R-Tenn.) spoke at a book forum on education, and Senator Norm Coleman (R-Minn.) addressed U.S. leadership at the United Nations. Representative Connie Mack (R-Fla.) spoke on Venezuela last December, and Representative Vernon Ehlers (R-Mich.) joined a conference on election reform in the spring. Representative Mark Kirk (R-Ill.) spoke about the World Bank in June. Senator Lieberman and House minority leader John Boehner (R-Ohio) discussed civility in politics at an April AEI conference on Capitol Hill.



Senator Jon Kyl



Indiana governor Mitch Daniels

■ Other top officials speaking at AEI this year included Securities and Exchange Commission member Paul S. Atkins; Gracia Hillman, chairman of the Election Assistance Commission; Deborah Platt Majoras, chairman of the Federal Trade Commission; Deputy Secretary of State John D. Negroponte; and Deputy U.S. Trade Representative John K. Veroneau. Several other 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 routinely brief AEI conference-goers. This year, AEI hosted former Pakistani prime minister Benazir Bhutto, Lebanese parliamentarian Walid Jumblatt, deputy chairperson of the Commission of the African Union Patrick Mazimhaka, Liberian defense minister Brownie Samukai, and Mexican elections chief Luis Carlos Ugalde. Chen Shui-bian, the president of Taiwan, addressed an AEI audience about the island's aspirations to join the United Nations via live videoconference in September.

■ AEI scholars also serve on government boards and commissions. James K. Glassman is chairman of the Broadcasting Board of Governors. Dan Blumenthal was elected vice chairman of the U.S.-China Economic and Security Review Commission. Leon R. Kass, M.D., and Nicholas Eberstadt continue to serve on the President's Council on Bioethics. In early 2007, Mr. Antos and Dr. McClellan were appointed to the Congressional Budget Office's Panel of Health Advisers. In March, Joshua Muravchik was appointed to the State Department's Advisory Committee on Democracy Promotion. Michael Novak is also a member of the committee. Peter J. Wallison was appointed by Chairman Christopher Cox to the Securities and Exchange Commission's Committee on Improvements to Financial Reporting.

■ 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.

HOW TO SUPPORT AEI

■ Ideas are by their nature unseen, and the job of any public policy organization is to translate those ideas into results. Few think tanks have been as accomplished in this regard as the American Enterprise Institute. AEI's success in undergirding political debate with empirical, reasoned analysis and research is made possible by the support of individuals, corporations, and foundations. By ensuring that the Institute's financial strength matches its intellectual strength, AEI's supporters help turn the best ideas into the soundest of public policies.

■ Individual donors are the Institute's largest source of support. Donors range from those in the Associates Program to supporters making larger-scale annual contributions, bequests, and endowment gifts. Individual supporters receive the same intellectual resources relied on by policymakers, business executives, academics, and journalists.

■ Corporations that support AEI receive top-level research and analysis on specific policy interests and priorities. Corporate involvement with the Institute includes invitations to public and private events, access to AEI's full slate of policy studies, and meetings with scholars.

■ Foundations with a wide range of policy interests are among AEI's most steadfast supporters. All share a



AEI President Christopher DeMuth and Executive Vice President David Gerson

commitment to strengthening the pillars of American freedom and to preserving an independent policy voice in the nation's capital.

■ AEI is a public charity under section 501(c)(3) of the Internal Revenue Code, which means that donations to the Institute receive maximum tax benefits. Donations may be in the form of cash, securities, stock, or matching gifts, as well as various types of planned giving. A breakdown of AEI's revenues and expenses appears on the next page. More information about supporting the Institute is available at www.aei.org/support/.

AEI FELLOWS & SCHOLARS



Peter J. Wallison, AEI's Arthur F. Burns Fellow in Financial Policy Studies, researches financial markets, banking, and financial services, and is the primary author of AEI's *Financial Services Outlook*. He is the author or editor of many books, including *Competitive Equity: A Better Way to Organize Mutual Funds* (AEI Press, 2007, with Robert E. Litan), *Privatizing Fannie Mae, Freddie Mac, and the Federal Home Loan Banks* (AEI Press, 2004, with Thomas H. Stanton and Bert Ely), and *Ronald Reagan: The Power of Conviction and the Success of His Presidency* (2002).



Senior Fellow Ben J. Wattenberg is the host of *Think Tank*, a weekly public affairs discussion program on PBS. His nine books include the monumental reference volume *The First Measured Century: An Illustrated Guide to Trends in America, 1900–2000* (2001, with Theodore Caplow and Louis Hicks) and the political classic *The Real Majority* (1970, with Richard Scammon). His most recent book, *Fewer: How the New Demography of Depopulation Will Shape Our Future*, was published in 2004.



Paul Wolfowitz joined AEI as a visiting scholar in July, after spending more than three decades in public service and higher education. Most recently, he served as president of the World Bank and deputy secretary of defense. As ambassador to Indonesia in the 1980s, Mr. Wolfowitz became known for his advocacy of reform and political openness and for his interest in development issues. At AEI, he studies entrepreneurship, development issues, Africa, and public-private partnerships.



Visiting Scholar John Yoo, a professor of law at the University of California, Berkeley, examines counterterrorism, sovereignty, and other areas in which law intersects with international affairs. His most recent book, *War by Other Means: An Insider's Account of the War on Terror*, was published in 2006. He is also the author of *The Powers of War and Peace* (2005). His articles have appeared in publications such as the *Wall Street Journal*, the *Los Angeles Times*, the *San Francisco Chronicle*, *Legal Times* and *The Weekly Standard*.

FINANCES

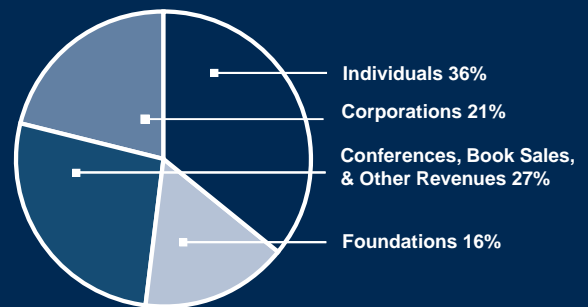
AEI enjoyed another year of very solid financial performance in 2006, with revenues of \$28.4 million and \$23.6 million in expenditures.

Economic Policy Studies continued to comprise the largest share (31 percent) of AEI's research, with expenses of \$7.3 million. Support for Foreign and Defense Policy Studies grew 16 percent to \$5.1 million. Social and Political Studies, the group that includes education, legal, political, welfare, and cultural work, comprised \$4.2 million of the expenditure budget. AEI spent \$1.8 million on the inaugural year of *The American* magazine, bringing its research and publication expenditure total to \$18.4 million.

Management, administrative, and fundraising functions comprised a total of \$5.3 million, or 22 percent of total expenditures.

Individual contributions of more than \$10 million provided the largest share of the revenue base, followed by \$6 million in corporate support, and \$4.7 million from foundations. The balance of the Institute's revenue came from investments, book sales, and conference revenues. Annual fundraising and sales accounted for 78 percent of total 2006 resources.

Sources of
2006 AEI Revenue
\$28.4 million



AEI's scholars and staff are very grateful to the many supporters who make their work possible. Contributors may be assured that resources will continue to be managed with care and focused attention to the Institute's central mission—helping to develop and promote innovative solutions to the complex public policy problems facing America.

In addition to required tax filings, AEI's policy is to make copies of its audited financial statements available to anyone who requests them.

2006 AEI Expenses
\$23.6 million



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Jennifer Morretta, Nicole Passan, and Evan Sparks edited and produced this Annual Report.
AEI thanks them for their work. Photography by David Berkwitz, Peter Holden,
Sylvia Johnson, Jennifer Morretta, and Tyrone Turner.

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