

THE PETER G. PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS AT

Twenty five

C. FRED BERGSTEN, DIRECTOR



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PREFACE

By Peter G. Peterson, Founding Chairman

I was immediately excited about the idea of creating an Institute for International Economics when Fred Bergsten and Frank Loy, the president of the German Marshall Fund of the United States, approached me with it in 1981. During my tenure as assistant to the president for international economic affairs and secretary of commerce in the early 1970s, and subsequently in my return to the private sector, I had become acutely aware of the large and rapidly growing impact of global economic events on both the US economy and our overall foreign policy. But there was no one research institution in the country on which government officials, the business community, and the many other affected sectors of our society could draw as they addressed the wide range of relevant international economic topics—trade, foreign investment, exchange rates, foreign aid and global economic development, international financial institutions, emerging markets, and international competitiveness. There was a clear national, and I believed international, need to create the Institute for International Economics, and I was pleased to become its founding chairman.

As we shaped the program of the Institute, we sought to fill several important voids. The most important was of course the substantive focus on international economics. We also wanted to emphasize the medium-term horizon of one to three years, which policymakers need to address on their watch but seldom have time to consider carefully, rather than research on immediate tactical concerns or on longer-run and thus more abstract issues.

Moreover, we took the view that even the best research would not sell itself and that we would need to work hard to translate our work into practical policy proposals and to bring it effectively to the attention of the relevant communities.

As I look back over the first 25 years of the Institute, I take great satisfaction from the fact that our original design turned out so well and that, as Fred describes in his essay, the Institute has found it both desirable and feasible to implement that design so faithfully. We have of course addressed new issues as they came onto the policy agenda, and on occasion helped set that agenda, but our basic institutional strategy has remained quite consistent over the entire period. The result has been a continuity and cumulative development of expertise, credibility, reputation, and impact in which I and our other directors take great pride.

The best of designs will of course work in practice only with the right people to carry them out, and the Institute has been blessed with a uniquely accomplished team at every level. Our Board of Directors and especially its Executive Committee has been instrumental in whatever success we have achieved. The committee was chaired throughout its life until a year ago by my close partner Tony Solomon, who worked with Fred and me at every stage of the process and for whom it is fitting that we now create the Anthony M. Solomon Chair as we earlier named the sculpture garden in our new building in his honor. George Shultz and Reg Jones also played crucial roles in our start-up period. As George once said, “The only thing wrong with the idea is that it should have come ten years earlier.”

The heart of our Institute is of course its staff. I am undoubtedly biased but every time I have the opportunity to spend a few hours brainstorming with them, I conclude that we have assembled the best group of economists in the world. Their analytical capabilities and policy creativity are matched only by their breadth in addressing the wide range of topics that come onto their agendas and their devotion to making the institutional whole greater than the sum of its parts.

I reserve my greatest praise, however, for Fred Bergsten. We initially met and worked together in the White House in the early 1970s, when he helped me enormously with my new duties there, and have remained close friends and partners ever since. Fred is widely regarded as being as good a creator and director of a think tank as any of us has ever known. I know from my own experience that he is like the triple-threat football player that rarely comes along any more: He defines, executes, and publicizes our research and policy agenda, including with much of his own work, with consummate skill; he attracts and motivates the very best people to create and maintain our world-class staff; and he is a superb fundraiser who has adroitly managed the Institute's finances, including for the building into which we moved five years ago and the current capital campaign. I expect the Institute to benefit from his leadership for many more years and am very pleased that we are now renaming the C. Fred Bergsten Conference Center in our building in his honor.

As we look to the decade or even quarter century ahead, we plan to build on the Institute's outstanding record to date and hope to make an even greater contribution to better economic policies, and thus to stronger economic performance and harmony, around the world. The challenges we will face

may be even greater than those to date: the enormous implications of aging populations and vast unfunded obligations throughout the world, with their daunting implications for national budgets and the abject failure of governments to even begin addressing them effectively; the rise of China, to which the Institute is already devoting priority attention, as well as India and perhaps other emerging economic powers; the seemingly chronic reappearance and persistence of huge global imbalances, centered on the US current account deficit, which threaten both global financial stability and the openness of the international trading system; the renewed energy crisis; and a wide range of global environmental problems. A cardinal purpose of the Institute is to remind people of these unsustainable challenges, and there is unfortunately no shortage of topics where this function will be even more critical in the future.

I have had a rather checkered career over the past several decades and seem to have been unable to hold on to any one job for very long. During much of that period, however, one constant, and one of my great pride and joys, is the Institute for International Economics. I could not have imagined, in my wildest dreams, that it would have been this successful. I am very proud to have been associated with it and am deeply honored that the Board of Directors has now decided to attach my name to it. I look forward to continuing to work with our superb team to make the Institute even more effective in the years ahead.

THE CREATION

The 1970s were a turbulent period for the world economy. The postwar international monetary system of fixed exchange rates collapsed. The United States experienced severe protectionist pressures for the first time in the postwar period. The Organization of Petroleum Exporting Countries (OPEC) seized control of world energy markets, and two oil shocks ended the era of cheap energy. The Arab embargo brought international economic warfare to the United States. North-South tensions rose sharply as the developing countries demanded a “new international economic order.” Japan became a major global competitor. The dollar experienced four sharp declines, requiring the United States to mount a \$30 billion defense program and to draw on the International Monetary Fund (IMF) in 1978.

These developments deeply affected both the economy and foreign policy of the United States. For the first time in the postwar era, the dominance and indeed prosperity of the United States were shaken by events outside its control. External forces compelled it to change key policies, including budget and monetary as well as energy policies. At the end of the 1970s and into the early 1980s, the United States experienced a four-year period of inflation at or near double digits, interest rates reaching 20 percent, and its deepest recession since the Great Depression.

At the same time, America’s structural integration with the world economy was deepening rapidly. The share of trade in the US economy tripled in two decades,



1971

President Richard Nixon breaks dollar link to gold, ending postwar system of fixed exchange rates, and applies import surcharge to force dollar devaluation

Peter G. Peterson becomes assistant to the president for international economic affairs and executive director of the Council on International Economic Policy in the White House



House of Representatives passes protectionist trade bill, reflecting first major outbreak of such pressures in postwar period

C. Fred Bergsten leaves Nixon White House after serving 2 1/2 years as assistant for international economic affairs to Dr. Henry Kissinger at National Security Council



1972

Ford Foundation asks Bergsten to study possible creation of a new US institute on international economic issues

Peterson becomes secretary of commerce



1973

First oil shock

Second devaluation of dollar and subsequent generalized move to floating exchange rates

Peterson resigns from US government, becomes chairman and CEO of Lehman Brothers



Arab oil embargo

globalizing this country to a level exceeding that of either the European Union as a group or Japan. The United States was simultaneously becoming more dependent on the global economy and less able to dictate its course.

It was thus natural that the idea emerged of creating a research institution in the United States devoted to international economic issues. This country already had an array of research centers, specializing in a wide range of economic and foreign policy topics, but none focused on the world economy. The concept of such an institute was first broached by the leadership of the Ford Foundation, McGeorge Bundy and David Bell, in the early 1970s. They asked me, just after I had left the White House, where I coordinated US foreign economic policy for two and a half years as Henry Kissinger's deputy at the National Security Council, to conduct a comprehensive review of the research agenda for international economics and its institutional implications. I proposed an ambitious research program, to which the

foundation devoted considerable resources over the succeeding years, and advised that existing think tanks be encouraged to assume leadership on global economic topics.¹

The specific proposal for what became the Institute for International Economics emerged in the late 1970s. Leslie Gelb, later to become president of the Council on Foreign Relations but then serving as a consultant to the German Marshall Fund (GMF) of the United States, recommended that the GMF, in light of the growing importance of international economic issues to overall US foreign policy and the US economy and the absence of strong institutional capability to address the issues elsewhere, create such an institution. The GMF approached me with the idea in 1979–80,



1974

Committee of 20 fails to negotiate international monetary reform, ushering in “nonsystem” of unmanaged floating

Recycling of petrodollars begins

Anthony M. Solomon pilots Trade Act through House of Representatives as chief aide to Ways and Means Chairman Wilbur Mills

Trade Act of 1974 authorizes Tokyo Round of trade negotiations, institutes “fast track” negotiating authority, and reforms trade adjustment assistance

1975

“Stagflation” enters global lexicon

First G-5 summit

Creation of International Energy Agency

1976

Bergsten directs international economic policy component of transition team for incoming Carter administration

1977

Secretary of Treasury Michael Blumenthal accused of “talking down the dollar”

Solomon and Bergsten become, respectively, undersecretary and assistant secretary of Treasury

when I was serving as assistant secretary of the treasury for international affairs, and I developed an initial blueprint but no further action was taken at that time. Under the leadership of its new president Frank Loy, the GMF raised the idea again when I left the government in early 1981. Working closely with Loy, I consulted widely with former top policymakers and academic experts to test the appeal of the idea, which turned out to be widespread and enthusiastic, and to gather suggestions on how such an organization could be structured.

Several responses turned out to be especially cogent and indeed prescient. George Shultz, who was president of Bechtel at the time, had already been secretary of the treasury and would shortly become secretary of state, opined that “the only thing wrong with the idea was that it should have come ten years earlier” and that “it will be too successful and the government will want you to do its work for it so you should not locate in Washington” (a piece of advice that could not be accepted

because the Institute needed to be near the key centers of decision making but that has provided a perennial warning that we must avoid becoming too involved in short-run policy details). Our chairman-to-be, Peter G. Peterson, suggested that our work should focus on the medium run of one to three years because this is the period that most concerns sitting officials but on which they receive very little useful advice from the government bureaucracy (with its short-term orientation) or the academic world (with its long-term emphasis). Professor Peter B. Kenen of Princeton University doubted that it would be possible to both attract a world-class staff and implement a jointly determined research agenda based on the needs of the policy community, two of the central ideas in the original design and indeed of the model that the Institute has implemented, but generously recanted that view a decade later in the face of the Institute’s demonstrated ability to do so.

On the basis of these discussions, my revised proposal, calling for “the development,



1978

Sharp dollar decline requires US to mount \$30 billion rescue package including drawing from IMF and flotation of “Carter bonds”

US Treasury team led by Bergsten, Gary Clyde Hufbauer, and Jeffrey J. Schott negotiate new GATT Subsidies Code in Tokyo Round

Richard N. Cooper becomes undersecretary of state for economic affairs



1979

Successful conclusion and congressional approval of Tokyo Round

Leslie Gelb proposes to German Marshall Fund of the United States what later becomes Institute for International Economics



1980

Second oil shock

Iran hostage crisis and application of US sanctions to that country

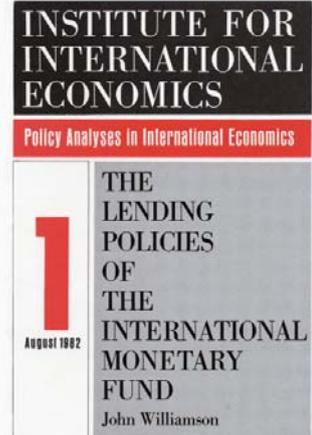
US position as world’s largest creditor country peaks at \$361 billion

Solomon becomes president of Federal Reserve Bank of New York

over a period of perhaps five to ten years, of the best center in the world for policy-oriented research studies of the most important international economic issues facing both governments and the private sector,” was endorsed by the GMF for initial funding, and the Institute opened for business in late 1981. The GMF committed \$4 million to the Institute for an initial five years, far more than it had ever provided to a single grantee and accounting for a very large share of its total disbursements. The startup was premised on my commitment that the new organization would “meet the market test,” by attracting a broadly diversified financial base after the initial period, or fail, which provided healthy incentives for us to develop program quickly. Craufurd D. Goodwin, a former high official of the Ford Foundation and the James B. Duke Professor of Economics at Duke University, and one of the world’s most experienced analysts of foundations and

think tanks, concluded in his review of the Institute’s first decade that it had been “a spectacular success” and that “... the GMF’s initiative in creating the Institute was one of the most far-sighted and timely actions taken by an American foundation since World War II....” He also quoted an official of another foundation as concluding that the “creation of the IIE is one of the great accomplishments of foundations in recent years.”

The four individuals who played pivotal roles in the creation and subsequent development of the Institute for International Economics had all held key governmental positions through which they observed first hand, and helped develop responses to, the globalization of the United States in the 1970s



1980

Ronald Reagan elected president

GMF President Gerald Livingston invites Bergsten to consider creating new institute on international economics, and Bergsten prepares initial blueprint of idea



1981

US experiences third consecutive year of double-digit inflation and interest rates above 20 percent

New GMF President Frank Loy asks Bergsten to create Institute; after extensive consultations, Institute launched with Peterson as founding chairman and Cooper as chairman of Advisory Committee



US imposes “voluntary” export restraints on Japanese autos

Bergsten predicts US current account deficit will rise to \$100 billion as a result of Reaganomics and climbing dollar



1982

US experiences worst recession since 1930s

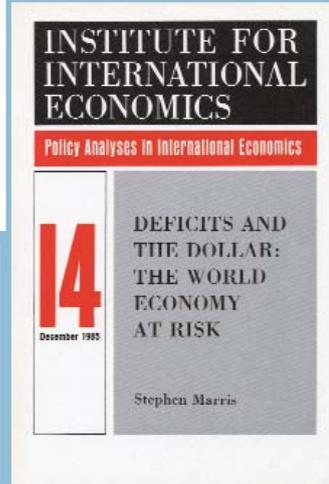
William R. Cline and Bergsten publish op-eds immediately after outbreak of Third World debt crisis

Mexican default triggers Third World debt crisis

First Institute publication by John Williamson triggers debate with US Treasury on IMF reform

and even before. The founding (and continuing) chairman of our Board of Directors, Peter G. Peterson, became assistant to the president for international economic affairs in 1971, when the issues assumed such importance that President Richard Nixon created a Council on International Economic Policy under Mr. Peterson's leadership. He subsequently also served as secretary of commerce. Anthony M. Solomon, chairman of our Board's Executive Committee from its inception in the late 1980s until 2005, when he retired from the post and was named honorary chairman of the Committee, was undersecretary of the treasury for monetary affairs and then president of the Federal Reserve Bank of New York (after an extended period as assistant secretary of state for economic affairs in the 1960s). Richard N. Cooper, who has chaired our

Advisory Committee since its inception, was an active consultant to the National Security Council in the early 1970s and undersecretary of state for economic affairs through the latter part of the decade (after earlier stints at the State Department and the Council of Economic Advisers). As already noted, I began the decade in the White House and closed it at the Treasury. Thus a team that had directly experienced the rapid evolution of the global economy, and especially its implications for the United States, provided the leadership of the Institute from the outset. The team also possessed an intellectual orientation that respected serious research and indeed had sought to use such research actively even while in government. The continuity of Institute leadership provided by this group has been a central element of our initial quarter century.



1983

Jurgensen Report records official G-7 consensus that currency intervention has limited effectiveness

US imposes several more "voluntary" export restraints on Japan and other countries

Initial publication of currency target zone proposal by Bergsten and Williamson

Cline proposals for resolving Third World debt crisis

Institute publishes first comprehensive study of economic sanctions and "Nine Commandments" for making them more effective

Stephen Marris predicts "hard landing" of dollar and US economy as a result of large and growing currency misalignments

1984

US trade deficit hits \$100 billion for first time

Ronald Reagan reelected

THE MISSION AND THE MODEL

The Institute for International Economics was thus created with a clear mission and an ambitious vision. Its goal is to promote better economic performance in the United States and around the world through analyzing issues that have important international economic repercussions and proposing more effective policies toward these problems in and among the countries that have the greatest impact on the global economy. Its vision from the outset was to develop a world-class and highly accessible program of research, discussion, and outreach that would constructively influence policies. The Institute has remained true to these original goals and has strongly resisted “mission creep”; all its work is rooted in international economic problems of high policy salience.

The topical coverage of Institute research and publications has of course evolved over the past two-and-a-half decades. Some issues have remained on our agenda throughout and indeed will remain central themes for the foreseeable future:

- international economic imbalances and exchange rates, especially for the dollar;
- debt and currency crises, especially in emerging-market economies, and how to prevent and handle them;
- the functioning of the international financial architecture, especially with respect to exchange rate systems in both industrial and developing nations, and economic policy cooperation among nations more broadly;
- trade and investment policies at the multilateral, regional, and bilateral levels;
- global economic institutions, notably the World Trade Organization (WTO) and the General Agreement on Tariffs and Trade (GATT) before it, the IMF, and the G-7 and other “Gs”; and
- the economic policy process both in individual countries and internationally.

Other concerns have become prominent more recently, notably technology and the worldwide impact of globalization including the widespread backlash against it, especially due to its perceived impact on jobs and wages. Some topics—including tax policy and individual economic sectors (such as agriculture, energy, financial services, steel, textiles, and telecommunications)—have waxed and waned in importance. Some have been of enduring significance, like development and the environment, but have attracted our attention less consistently because we have felt that other research institutions—in the case of development, our sister, the Center for Global Development, after its creation in 2001—are better placed to address them on an ongoing basis.

The geographic focus of our work also reveals a mix of consistency and adaptation over time. As a US institution, we have constantly addressed the international role of the United States and the impact of global developments on the US economy. Europe, and especially the European Union, has been the topic of many individual studies and a key component of most of our global analyses. East Asia has been a particular focus of Institute projects, especially Japan and Korea in earlier years with China and Asian regional initiatives becoming priorities more recently. Latin America has attracted our steady attention. The Middle East, and Russia and the rest of the former Soviet Union, have more recently become important topics as well.

Much of the Institute’s research, however, is global in character. We believe that

many, if not most, contemporary international economic issues must be seen in a global context if they are to be properly understood and if effective policy responses to them are to be devised. Yet few analysts adopt such a wide-ranging perspective. Among the distinguishing characteristics of Institute research is its focus on the systemic implications of many of the topics it addresses and on the need for systemic responses to support prosperity in individual nations as well as a vibrant economy for the world as a whole.

The current research program of the Institute emphasizes six key topics. China is at the top of the list. We are currently engaged in an extensive China Balance Sheet Initiative (described later) as well as in individual studies of China's financial and trade policies. A second priority is the international economic imbalances, centered on the US current account deficit, which continue to threaten the world economy. A third, continuing focus is globalization and the policy initiatives that may be needed to counter the backlash against it, especially within the United States itself. A fourth emphasis is the Doha Round of multilateral trade negotiations in the WTO and now how to get it back on track. A fifth is possible free trade agreements (FTAs) between the United States and other countries or regions, where we have recently completed our eighth bilateral study to accompany our analyses of the broader implications of the proliferation of FTAs. A sixth centerpiece is economic development and political prospects in the Middle East in light of that region's crucial role in global security and US foreign policy concerns.

The Institute now pursues these projects with a staff of about 50, including about 20 senior fellows and a dozen or so research assistants. The professional staff comprises mostly economists as well as several political scientists. There are no divisions or other organizational subunits; the administrative structure of the Institute is virtually horizontal. All of the research staff report to the director. The support staff report to the deputy director, who is responsible for the administration of the Institute.



This size and shape equip us with a critical mass that is sufficiently large to cover our chosen field of activity, the world economy, and to stimulate active internal debate and indeed healthy competition among our staff. At the same time, our lean structure allows us to maintain a high degree of operational flexibility and to avoid the multiple costs of layering and bureaucracy. The productivity of the Institute is very high, and we believe that much of this success is due to the business model we have adopted and maintained. The vice

“OUR LEAN STRUCTURE ALLOWS US TO MAINTAIN A HIGH DEGREE OF OPERATIONAL FLEXIBILITY.”

chairman of our Board, George David, CEO of United Technologies Corporation, calls the Institute “a machine that works” and the new chairman of our Executive Committee, Lincoln Center President Reynold Levy, views us as “an Institute without an institutional crust.”

The annual budget of the Institute is now about \$8 million. About \$1 million of this total is financed by sales of publications and earnings from our capital fund of about \$18 million. The remainder is contributed annually in roughly equal thirds by a wide diversity of philanthropic foundations, corporations, and individuals. About one-third of this funding in our latest fiscal year derived from sources outside the United States. A substantial part of our financial support is institutional, rather than linked to specific projects, which has proven to be extremely important in enabling us to respond flexibly to new issues as and when they arise on the global agenda.

Several institutions and individuals have made particularly critical contributions to the funding of the Institute over its initial quarter century. As described already, the German Marshall Fund of the United States launched the enterprise with a uniquely generous commitment. Business leaders on our Board of Directors, led by Reginald Jones of General Electric, instituted a program of corporate participation in the mid-1980s, which now includes well over 100 firms and has become an important source of funding as well as of ideas and outreach for Institute analysis and proposals. The Ford Foundation was a major supporter from the outset and provided a major impetus for our capital fund with a generous challenge grant in 1991, based on its judgment at the time that the Institute had attained “profound influence” and “a position of dominance in a highly competitive environment in a very short period of time.” Twelve foundations, whose support we deeply appreciate, have contributed more than \$1 million to the Institute over the past 25 years (see box).



Mittelkurs	16.1.	17.1.	Mittelkurs	16
1 USD	1,5920	1,6034	100 NOK	25
1 GBP	2,6707		100 SEK	22
1 IEP	2,6150		1000 ITL	1,0
1 CAD	1,1866		100 ATS	14
100 NLG	23,045		100 ESP	11



1985

Baker Plan on Third World debt

Congress passes textile quota bill (vetoed by President Reagan) and threatens to pass broader protectionist legislation due to soaring current account deficit and “threat from Japan”

Plaza Agreement; dollar declines by about one third over next two years

Institute staff proposes what becomes Plaza-Louvre strategy to Deputy Treasury Secretary Richard Darman

Bergsten-Cline study on US-Japan economic relationship helps respond to protectionist pressures

Hufbauer-Schott blueprint for Uruguay Round of trade negotiations

Institute launches corporate associates program, led by ex-CEO of General Electric Reginald Jones

1986

World oil price collapses to \$10 per barrel

Institute study, sponsored by David Rockefeller and led by Bela Balassa and future Peruvian Prime Minister Pedro-Pablo Kuczynski, publishes strategy for Latin American recovery that paves way for Washington Consensus

Our initial endowed chairs were created in the 1990s to honor two of the most distinguished and long-serving members of our Board of Directors. The William M. Keck, Jr. Foundation initiated the first in honor of Reginald Jones, the former CEO of General Electric. The Olayan Group, JP Morgan, and the Stavros S. Niarchos Foundation created the second in honor of Dennis Weatherstone, the former CEO of JP Morgan.

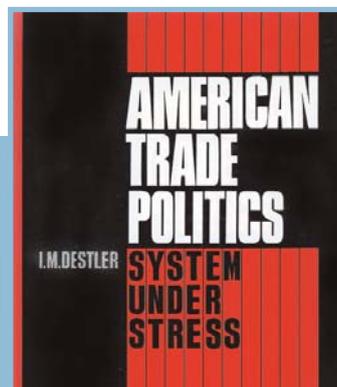
We are delighted that a third chair has now been created to honor Anthony M. Solomon for his central role in the creation and evolution of the Institute, especially as chairman of the Executive Committee of the Board of Directors until a year ago.

An exceptionally generous group of supporters, led by Chairman

MAJOR FOUNDATION DONORS

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Korea Foundation

Andrew W. Mellon Foundation
Stavros S. Niarchos Foundation
Rockefeller Brothers Fund
Alfred P. Sloan Foundation
The Starr Foundation
United States–Japan Foundation



US becomes net debtor country on one of two official definitions (current cost)

Tokyo G-7 Summit adopts "objective indicators" to reinforce Plaza Agreement with international economic policy coordination

Bergsten and subsequent Balassa-Williamson studies criticize currency undervaluation by newly industrialized countries (NICs) of Asia

Hufbauer and Schott publish blueprint for US-Canada free trade agreement (FTA)

Uruguay Round negotiation launched in GATT

1987

US and G-7 criticize currency undervaluations of Asian NICs

US current account deficit hits record \$160 billion

American Trade Politics by I. M. Destler, which subsequently becomes "the bible" on the topic and sells more than 100,000 copies to become Institute's all-time best-seller, wins the Gladys M. Kammerer Award from the American Political Science Association for Best Public Policy Book

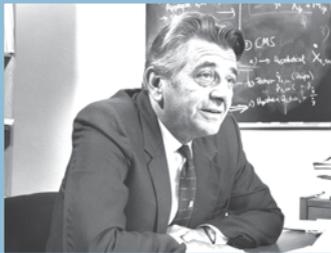
Top Japanese journalist Yoichi Funabashi, whose two Institute studies would win major book prizes, spends year at Institute as visiting fellow

Peter G. Peterson, enabled us to construct and move into our new headquarters—appropriately named the Peter G. Peterson Building—in 2001. Their names are inscribed on the donors' wall at the Institute. Former director Stephan Schmidheiny has donated much of the art that so greatly enhances the attractiveness of the building.

The Institute is announcing at its anniversary gala dinner in October 2006 the successful completion of a capital campaign, which has raised about \$50 million and will thus roughly quadruple the magnitude of our capital fund from its current \$18 million to about \$70 million. This augmented endowment will enable us to finance a much healthier portion of annual expenditures from earnings on the fund. By further increasing the nonearmarked proportion of our revenues, it will enable

us to remain flexible in responding to rapid changes in the global agenda. By reducing our reliance on annual contributions, it will assure maintenance of our complete independence and perceptions thereof. Perhaps most importantly, it will cushion us against possible downturns in the economy and markets or any other future discontinuities in our funding. The major donors to the campaign, to whom we express our deepest gratitude, are listed below.

The Institute is totally independent and nonpartisan. We have been invited, at the time of our creation and repeatedly thereafter, to merge with other think tanks or to affiliate with outstanding universities but have chosen to operate wholly on our own. We have likewise tried hard to avoid any ideological, doctrinal, political, or other bias that could cloud the objectivity of our work or perceptions thereof. Our scholars



1987

Louvre Agreement adopts narrow target zones (as "reference ranges") to protect against "hard landing" of dollar

G-7 "telephone accord" ends three year slide of dollar (in early 1988)

1988

US-Canada FTA

Trade and Competitiveness Act of 1988

Williamson publishes *Voluntary Approaches to Debt Relief*

Balassa and Marcus Noland publish *Japan in the World Economy*, proposing major reforms of Japan's structural barriers

Japanese invest heavily in US, including buying Rockefeller Center and other US "trophy properties," triggering strong domestic political reaction

George H. W. Bush elected president

1989

Korea and Taiwan substantially revalue their currencies

Future leader of Japanese economic reforms (2002–06) Heizo Takenaka spends year at Institute as visiting fellow

US becomes net debtor country on second official definition (market value)

Edward M. Graham and Paul Krugman's new study emphasizes benefits to US of foreign, including Japanese, direct investment

are neither liberals nor conservatives but rather eclectic pragmatists.

A recent survey of 17 leading think tanks in fact shows that only two, the Institute and the Center for Strategic and International Studies, are viewed by both the press and the Congress as “nonpartisan” and “neutral” (as distinct from “liberal” or “conservative”).² Our staff includes former members of the Council of Economic Advisers in both the Reagan and Clinton administrations, and I personally served in both the Nixon White House and the Carter Treasury. Top Treasury officials from both the Clinton and Bush administrations have praised our work: Former secretary (and previously undersecretary for international affairs) Lawrence Summers has said, “There is no better example of the contribution that our think tanks make to our public policy process than the Institute for International Economics,” and current Undersecretary Timothy D. Adams has noted that “The Treasury is fortunate to have outstanding think tanks like the IIE nearby... I greatly appreciate their indispensable wisdom.” Similarly bipartisan comments emerge from key members of Congress: Democrat Max Baucus, former

chairman and now ranking minority member of the Senate Finance Committee, calls us “the best institute in town,” while Republican trade policy leader Representative Phil English says, “The Institute’s work has a credibility that is second to none.”

At the same time, the Institute has a clear and widely recognized point of view. It generally supports freer trade, active efforts to achieve and maintain international monetary and financial stability, economic cooperation among nations, and domestic policies that help the potential losers from globalization take advantage of its opportunities rather than be victimized by it. The Institute sponsors and publishes vigorous debate and differing views on how to pursue these widely shared goals, however, such as Dani Rodrik’s questioning of the merits of additional globalization;³ Laura Tyson’s advocacy of some forms of “managed trade,” which President Bill Clinton read and called “path-breaking work on international competitiveness and trade”;⁴ and Richard Cooper’s recent doubts concerning the seriousness of the current international imbalances.⁵

MAJOR DONORS TO CAPITAL CAMPAIGN IN CELEBRATION OF 25TH ANNIVERSARY OF PETER G. PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS

C. Fred and Virginia W. Bergsten	Joseph E. Robert, Jr.
George David	David Rockefeller
William M. Keck, Jr. Foundation	Stephan Schmidheiny
Stavros S. Niarchos Foundation	Anthony M. Solomon
Frank Pearl	The Starr Foundation
Peter G. Peterson	United Technologies Corporation

The governance structure of the Institute has remained largely intact over its initial 25 years. The Board of Directors has throughout comprised a peerless group of former high government officials, top corporate and financial executives, and leaders from other avenues of society including the academic world and labor. No sitting policymakers are included (except for a few central bankers in light of their independence from government). The Board meets once a year and provides broad policy guidance. Its Executive Committee convenes more frequently and participates actively in budget, fundraising, and other stewardship responsibilities. About one quarter of the Board typically comes from outside the United States.

The Board of Directors has played a crucial role in the life of the Institute. Its prestigious and international composition provided the new institution with instant credibility in 1981. Its foresight has helped us identify issues well

ahead of their emergence and enabled us to be ready with studies and proposals when crises erupted. The influence of its members has helped convey our ideas to top policymakers and other leaders within the United States and around the world. Its generosity in providing, and helping to raise, funding has been essential to our financial health.

All these accolades apply exponentially to our chairman, Peter G. Peterson. He led off the press conference to announce our creation to a handful of reporters when no one had yet heard of the Institute for International Economics. He has provided a unique mix of intellectual leadership, advice, and support throughout our life while conducting his own remarkably successful career as businessman, prolific author, and adviser to presidents and many others. He initiated and strongly supported both the project to construct the headquarters building, which has made such a difference to the Institute in so many ways, and the new capital campaign. With the deepest appreciation for his seminal contributions since our creation 25 years ago, the Board of Directors has decided to rename ourselves the Peter G. Peterson Institute for International Economics in his honor.

“OUR SCHOLARS ARE
NEITHER LIBERALS NOR
CONSERVATIVES BUT
RATHER ECLECTIC
PRAGMATISTS.”

Our Board has of course evolved over time. Reynold Levy, president of Lincoln Center, succeeded Anthony M. Solomon as chairman of the Executive Committee in 2005. George David, CEO of United Technologies Corporation, has become the initial vice chairman of our Board. Adam Solomon of StoneWater Capital succeeded Dennis Weatherstone as chairman of the Finance Committee, whose members include Frank Pearl of Perseus LLC and David Rubenstein of The Carlyle Group. Jessica Einhorn, dean of the School for Advanced International Studies at Johns Hopkins University, chairs the Audit Committee with assistance from former member of the Council of Economic Advisers and General Motors executive Marina Whitman. James W. Owens, chairman and CEO of Caterpillar, and Joseph E. Robert, Jr., chairman of J. E. Robert Companies, have joined long-time trustee and former US trade representative, Carla Hills, as active directors and Executive Committee members engaged in a number of Institute projects. Maurice R. Greenberg, David Rockefeller, and former Federal Reserve Chairman Paul Volcker remain actively engaged in the Board after two decades of service. This core element of our governance remains vibrant and committed to the further improvement and future success of the Institute.

The Advisory Committee, a second key component of our governance structure, comprises a number of leading international economists from around the world. Under the chairmanship of Richard N. Cooper, a distinguished academic economist as well as former high government official, it recommends new topics to the Institute for both research and conferences. Its members help exercise quality control over our research results, by regularly assessing the overall program and by reviewing individual studies prior to their publication. They frequently participate directly in Institute projects and often suggest candidates for the staff at both senior and junior levels. About a quarter of the Committee's membership, like that of the Board, is drawn from outside the United States. A number of younger academic economists have joined the group in recent years, providing a source of fresh ideas for our programs.

The Institute has more recently created a Corporate Advisory Committee to enable us to exchange views more systematically with some of the most active and knowledgeable participants from the private sector in the international economic policy debate. Their awareness of the decision making process, in both the United States and elsewhere around the world, is extremely helpful as we set our research agenda. We indeed seek to maintain an ongoing dialogue with the business and financial communities at all levels, from CEOs to corporate economists and other experts, to make sure that we are constantly aware of the activities and concerns of the people who actually operate the markets that make up the global economy.

We are also pleased that a number of corporations look to us for advice on the economic and policy environment they will be facing; United Technologies Corporation CEO George David for example, guesses that “probably half of the Fortune 100 companies are regular users of the Institute’s advice” and reports that the United Technologies Corporation itself “relies upon the Institute as a primary source for economic analysis domestically and internationally.”

The Institute was located at 11 Dupont Circle for its first 20 years and moved into its new Peter G. Peterson Building in August 2001. The Board of Directors decided in 1998 that “every great institution should have its own building,” especially to establish its identity and permanence more fully and more clearly, and the land at 1750 Massachusetts Avenue was purchased in 1999. The building was designed by Kohn Pedersen Fox of New York, one of the leading architectural firms in the world, with important contributions by the then chairman of our Executive Committee. An accomplished sculptor, his artistic as well as substantive contributions to the Institute were recognized by the naming of our Anthony M. Solomon Sculpture Garden in his honor. The project was managed largely by our deputy director, Ambassador John Todd Stewart, with substantial assistance from The Kaempfer Company.



We held our inaugural event in the expansive Peter G. Peterson Conference Center—now renamed the C. Fred Bergsten Conference Center—for President Vicente Fox of Mexico on September 7, 2001,⁶ and formally dedicated the building at the inaugural Stavros S. Niarchos Lecture delivered by former Federal Reserve Chairman Alan Greenspan on October 24, 2001. The building houses several pieces of superb art donated by our former director Stephan Schmidheiny, including a sculpture by Joan Miró and a painting by Elizabeth Murray that was the centerpiece of the recent exhibition of her work at the Museum of Modern Art in New York, as well as collections of Chinese and African art donated by William M. Keck and Ambassador John Yates, respectively. The building was granted the Best Architecture for 2001 award by *The Washington Business Journal* and won a Best Design award from the American Institute of Architects in 2003.⁷

THE RESEARCH PROGRAM

The heart of the Institute is its research program, which is governed by four major principles. First, we maintain and constantly update a “rolling agenda” of issues that are likely to rank high on the list of global concerns over the coming period, from which those of greatest salience and Institute capability are selected for priority attention.

The agenda is developed through constant interactions between Institute staff and government officials, representatives from the private sector, academics, and other researchers, and especially through ongoing discussions with our Board of Directors and two advisory committees. Our focus is the medium run of one to three years, generally avoiding both very short-term topics (per George Shultz’s caution as noted above) and very long-term questions that are too distant to address in a policy-relevant manner, because this is the time horizon over which current officials want the most help and where there is time to develop ideas and shape policy outcomes. The *Washington Post* has concluded that we have succeeded in maintaining a relevant agenda because we “have repeatedly demonstrated an uncanny ability to anticipate emerging issues.”

When we do our job right, Institute studies will be ready just as the issues they address come to the forefront of public and policy attention. For example, William Cline’s work-in-progress enabled the Institute to respond immediately when the Third World debt crisis broke out in the summer of 1982. Our recent book on *US National Security and Foreign Direct Investment* placed us in a similar position when the Dubai Ports World issue erupted suddenly. *The Economist*, no slouch itself at addressing issues in a timely manner, has written that the Institute “has an unsurpassed record of publishing the right study at the right time” and that our “record on topicality and quality truly is amazing.” David Wessel of the *Wall*

Street Journal adds that the Institute “always [has] a book coming out about the subject that you just realized was important.”

In addition, the Institute will on occasion attempt to shape the policy agenda rather than simply respond to issues that seem likely to arise on their own. If a topic we believe is important is currently absent from the international debate, or receiving inadequate consideration, we do not hesitate to address it. We prefer to conduct applied research but will occasionally also undertake a project that requires basic research—such as our current study on which service sectors are tradable and thus potentially vulnerable to offshoring—if necessary to provide a foundation for addressing an important policy issue.

There are also occasions on which the Institute will make quick changes in its research priorities. If a new issue of significance that we have failed to anticipate suddenly appears on the global agenda, we will shift gears promptly to pursue it. We are fortunately able to do so by virtue of the intellectual flexibility of our staff and the fungibility of much of our financial resources. This nimbleness has been another key factor in the ability of the Institute to produce timely and relevant products.

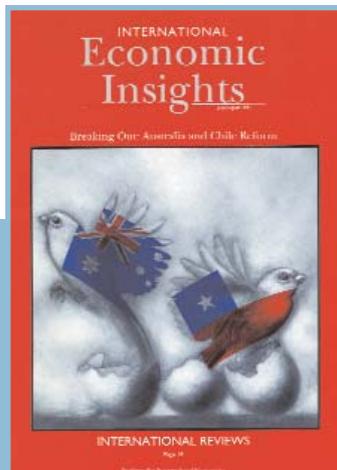
Second, the chosen topics are subjected to in-depth analysis by the research staff and, from time to time, by visiting fellows from outside the Institute. The analysts usually have two distinct goals: to develop new understanding of the issues’ impact, on both overall economies and groups within them, and to derive practical policy recommendations for addressing them. Institute studies must meet the highest intellectual standards, as measured by reviews in academic and other journals, as well as the test of policy salience from the policy community and the media with their usual focus on more immediate action implications. All Institute studies are rigorously reviewed both in-house, usually

at several stages during a project, and by outside experts before I as director make a final decision on whether to publish them.

We are very proud that several of our books have won prestigious awards. I. M. Destler's *American Trade Politics*, our all-time best-seller with more than 100,000 copies of its four editions in print, garnered the American Political Science Association's Gladys Kammerer Award in 1987 for the best political science publication of the year in the field of US national policy. William R. Cline's *The Economics of Global Warming* won the Harold and Margaret Sprout Prize from the International Studies Association for the best book on international environmental affairs in 1992. Visiting Fellow Yoichi Funabashi won both the Yoshino Sakuzo Award, Japan's most prestigious for works in the

social sciences and humanities, in 1988 for *Managing the Dollar: From the Plaza to the Louvre* and the Asia Pacific Grand Prix Award in 1996 for *Asia-Pacific Fusion: Japan's Role in APEC*. Marcus Noland's *Avoiding the Apocalypse: The Future of the Two Koreas* won Japan's Ohira Masayoshi Award in 2001, given annually to the book that "best promotes cooperation within the Pacific Rim."

The "rolling agenda" and subsequent conduct of research are intimately related. All Institute studies begin with a perception of a real-world problem that defines the questions to be asked and the setting within which the issue is considered. The intellectual work then proceeds, using the most sophisticated and comprehensive methodologies that our researchers can bring to bear, and analytical conclusions are derived in the most objective



1989

Brady Plan provides debt relief, helps end Third World debt crisis

US launches Structural Impediments Initiative to address Japan's structural import barriers

1990

Japanese bubble bursts, presaging end to "Japanese miracle" and much of the anxiety over its feared global economic dominance

Williamson conference on Latin American adjustment summarizes and labels "Washington Consensus"

Uruguay Round in GATT misses target deadline, stalls for almost three years

Institute launches bimonthly journal *International Economic Insights*

1991

US rejects reliance on sanctions, launches Gulf War against Iraq

Hufbauer-Schott blueprint for NAFTA

US runs small current account surplus, completing successful adjustment of imbalances of 1980s, but becomes world's largest debtor country on all definitions.

Bergsten selected chair of Competitiveness Policy Council created by Congress, makes initial reports to president and Congress

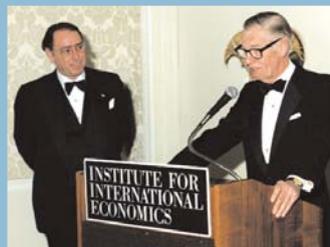


manner possible. At the end of the process, policy conclusions are drawn from the analysis and recommended to policymakers and the world more broadly. The sequence ends, as it began, with direct application to the real world, thus fulfilling the Institute's mission of promoting better policies and improved economic outcomes. Harvard economist Dale Jorgenson has admired "the balanced and astute judgments on international policy issues for which the Institute is justly famous." We hope and believe, however, that our readers can learn from and use our analyses whether or not they agree with our policy proposals.

Third, we attempt to present the Institute's studies in intelligible and even appealing prose. Our superb publications staff makes a major contribution to the realization of this critical goal. Here too *The Economist* has offered laudatory comments, referring to the Institute's "serious analysis that is [at the same time]

comprehensible to policymakers and laymen." Econometrics are used in the analyses but are normally confined to technical annexes and backup papers to avoid distracting the broad audience we attempt to reach.

We seek to expand our readership by releasing many of our studies in a variety of forms. Full book-length or monograph-length (via our series of Policy Analyses in International Economics) versions include the complete analysis. Special Reports



1991

Bill Clinton elected president

1992

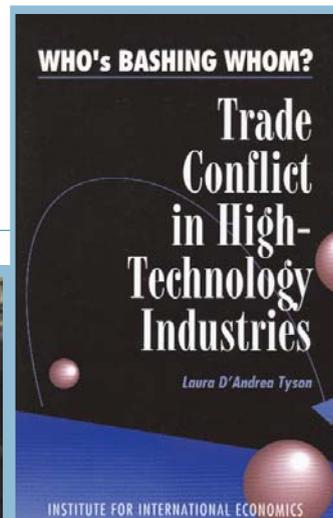
Major matching grant from Ford Foundation enables Institute to create capital fund

Generous grant from William M. Keck, Jr. Foundation creates initial endowed chair at Institute in honor of Reginald Jones, subsequently filled by Gary Clyde Hufbauer



NAFTA negotiation completed

Institute publishes definitive study of "managed trade" by future Council of Economic Advisers and National Economic Council Chair Laura Tyson



Cline's *The Economics of Global Warming* wins Harold and Margaret Sprout Award of International Studies Association for best book of 1992 on international environmental affairs

10th anniversary gala dinner in New York addressed by George Shultz and moderated by Peter Jennings

present the results of some of our conferences. Much shorter Policy Briefs present main conclusions and action proposals. Even shorter op-eds, interviews, and oral presentations boil down the material still further. When an issue is particularly timely, or conversely the expected duration of a study is unusually long, we will sometimes “pre-release” part or all of the research through our series of Working Papers. Some or all of each of these delivery modes, along with tailored summaries and press releases for each study, are posted immediately on our Web site. In the early 1990s, we also published a bimonthly periodical *International Economic Insights*, which was a critical success but failed to attract enough paid subscribers and so was dropped after four years.

Our goal is to publish at least one substantial book or Policy Analysis, along with two or three shorter Policy Briefs or Working Papers, each month. We have modestly exceeded that target over the life of the Institute, issuing more than 300

of the longer titles to date. The following table lists the Institute’s best-sellers over our initial quarter century.

Speed of publication is very important. Research results need to be available when an issue is being decided, or even actively discussed, and may lose much of their impact if they come too late. At the same time, the research must meet the highest intellectual standards. This requires making difficult choices between the timing of releases and the thoroughness of the research. It may be necessary on some occasions, to meet the deadlines of the real world, to release preliminary findings and conclusions with the more comprehensive final product following at a later date. Paul Krugman commented on this tension as early as 1986 with an observation that the Institute “does a remarkably good job of responding to current events while maintaining good intellectual quality,” and former Federal Reserve Chairman Paul Volcker has noted that “the Institute’s forte has been to



1993

Congress passes NAFTA legislation

Eminent Persons Group (EPG) chaired by Bergsten provides blueprint for APEC



First APEC summit at Seattle adopts EPG recommendation to pursue “free trade in the area”

Hufbauer-Schott evaluation of NAFTA used widely in congressional debate



Uruguay Round successfully concluded

J. David Richardson proposes full-scale liberalization of US export controls



1994

APEC summit in Indonesia adopts EPG recommendation to create “free and open trade and investment in the region” by 2010/2020 (Bogor Goals), largest trade liberalization commitment in history

Hufbauer-Schott blueprint for Free Trade Area of the Americas



First Summit of the Americas in Miami launches negotiations for Free Trade Area of the Americas

Visiting Fellow Daniel Esty proposes Global Environmental Organization

THE INSTITUTE'S BEST-SELLERS: 1981–2006

Rank	Title	Author(s)	Year published	Total
1	American Trade Politics	I. M. Destler	4 editions (1986–2005)	101,000
2	Has Globalization Gone Too Far?	Dani Rodrik	1997	37,738
3	Who's Bashing Whom? Trade Conflict in High-Technology Industries	Laura D'Andrea Tyson	1992	36,703
4	International Debt and the Stability of the World Economy	William R. Cline	1983	26,654
5	NAFTA: An Assessment, revised edition	Gary Clyde Hufbauer and Jeffrey J. Schott	1993	25,692
6	Foreign Direct Investment in the United States	Edward M. Graham and Paul R. Krugman	3 editions (1989–1993)	25,000
7	America in the World Economy: A Strategy for the 1990s	C. Fred Bergsten	1988	22,299
8	Toward a New International Financial Architecture: A Practical Post-Asia Agenda	Barry Eichengreen	1999	21,691
9	China in the World Economy	Nicholas R. Lardy	1994	19,889
10	Reconcilable Differences? United States–Japan Economic Conflict	C. Fred Bergsten and Marcus Noland	1993	14,886
11	Deficits and the Dollar: The World Economy at Risk	Stephen Marris	1985	14,628
12	China The Balance Sheet: What the World Needs to Know Now About the Emerging Superpower	C. Fred Bergsten and Nicholas R. Lardy (with the Center for Strategic and International Studies)	2006	14,500

Note: Totals in this table include complimentary distributions and foreign language editions.

turn out stuff as quickly as possible and do it [while] maintaining a high quality of analysis.”

Fourth, the results of this process are marketed actively. We make every effort to convey the key ideas directly to policymakers, and the policy community more broadly, through offers of direct briefings and invitations to Institute events to discuss the relevant topic. In the early years of the Institute, I would frequently shock my colleagues by noting, upon completion of a major study, that “their job was now half done”; the other half was of course to communicate the results as widely as possible and try to generate support for their proposals.

We send complimentary copies of most studies to policymakers, the media, and other important audiences. We particularly seek to attract media attention, with its enormous multiplier effects, and are responsive to requests for interviews from the print media and from television and radio, for op-eds, and for briefings for influential journalists. We distribute the studies themselves both online and through traditional channels, including through translations into as many

languages as possible. Sales of our publications have risen by 40 percent over the past two years. Former Council on Foreign Relations President Leslie Gelb observes that “the books and reports of the Institute are read very thoroughly by people in the Congress, the world of Washington, and the executive branch, where policy is made...the audience is small but boy does that audience matter.”

The Institute holds release meetings to publicize most of its publications. Our sessions for the broad policy community frequently attract 200 or more participants and are widely regarded as among the liveliest sessions in Washington. In addition, we often host a luncheon discussion for the most interested members of the media to offer them an opportunity for in-depth discussion with the authors and other Institute staff. Such luncheon sessions are also frequently scheduled in advance of major international events, such as G-8 summits or annual IMF/World Bank meetings, to provide overview briefings on the agendas of those meetings and to relate previous Institute studies, where relevant, to them.

The Institute’s Web site, www.iie.com, is now 10 years old and has become a primary means for disseminating Institute research. In the case of Policy Briefs, Working Papers, and other research results, distribution on the site far exceeds dissemination in print (see table on the top ten downloads from 2001 to July 2006). In 2006 the Institute recorded a monthly average of half a million views of its Web site pages and an average of 175,000 user sessions each month, triple the traffic in 2001. Books have been sold online directly from the site since 2000 and now account for 16 percent of book revenue. An online newsletter alerts Institute subscribers to new publications available through the Web site. That subscriber list has grown more than fourfold since 2003 and now includes roughly 11,000 policymakers, businesspeople, journalists, nongovernmental organizations, professors, and students from around the world.

“OUR MEETINGS ARE
WIDELY REGARDED AS
AMONG THE LIVELIEST
SESSIONS IN WASHINGTON.”

TOP DOWNLOADS FROM THE INSTITUTE'S WEB SITE

JANUARY 2001–JULY 2006

Rank	Publication title	Author(s)	Publication month	Months posted	Lifetime downloads
1	Policy Brief 03-11: Globalization of IT Services and White Collar Jobs: The Next Wave of Productivity Growth	Catherine L. Mann	December 2003	32	242,168
2	Paper: Outsourcing—Stains on the White Collar?	Jacob Funk Kirkegaard	February 2004	30	234,711
3	Working Paper 05-7: What Might the Next Emerging-Market Financial Crisis Look Like?	Morris Goldstein	July 2005	13	215,406
4	Working Paper 01-1: Price Level Convergence and Inflation in Europe	John H. Rogers, Gary Clyde Hufbauer, and Erika Wada	January 2001	67	179,945
5	Working Paper 01-4: IMF Structural Conditionality: How Much is Too Much?	Morris Goldstein	April 2001	64	107,899
6	Working Paper 05-1: Outsourcing and Offshoring: Pushing the European Model Over the Hill, Rather Than Off the Cliff!	Jacob Funk Kirkegaard	March 2005	17	84,910
7	Working Paper 00-9: On Currency Crises and Contagion	Marcel Fratzscher	October 2000	68	75,128
8	Working Paper 01-9: Macroeconomic Implications of the New Economy	Martin Neil Baily	September 2001	59	73,910
9	Policy Brief 04-2: Labor Standards, Development, and CAFTA	Kimberly Ann Elliott	March 2004	29	72,615
10	Working Paper 04-1: Adjusting China's Exchange Rate Policies	Morris Goldstein	June 2004	26	68,776
11	Working Paper 05-6: Postponing Global Adjustment: An Analysis of the Pending Adjustment of Global Imbalances	Edwin M. Truman	July 2005	13	64,846
12	Working Paper 05-9 Tradable Services: Understanding the Scope and Impact of Services Outsourcing	J. Bradford Jensen and Lori Kletzer	September 2005	11	53,384
13	Working Paper 01-3: Foreign Direct Investment in China: Effects on Growth and Economic Performance	Edward M. Graham and Erika Wada	April 2001	64	52,749
14	Policy Brief 04-3: Senator Kerry on Corporate Tax Reform: Right Diagnosis, Wrong Prescription	Gary Clyde Hufbauer and Paul L. E. Grieco	April 2004	28	49,386
15	Working Paper 05-12: Prospects for Regional Free Trade in Asia	Gary Clyde Hufbauer and Yee Wong	October 2005	10	49,372

THE STAFF

The quality of the Institute's staff has consistently been its greatest strength. All senior fellows have coupled extensive research and publishing records with practical experience in national governments or international organizations. They seek to contribute to policy decisions and economic outcomes in the real world, rather than simply write for an academic audience, and they understand how to do so effectively. Their unique combination of backgrounds goes far to explain why the Institute has been able to simultaneously assemble a world-class staff of highly independent thinkers and work from a collegially determined agenda that is designed to maximize its potential impact. Congressman Phil English, a Republican leader on trade policy in the House of Representatives, has noted that "the Institute's work is valuable because it combines academic perspectives with real-world experience and real-world research."

The Institute has been extremely fortunate to retain a core permanent staff from its inception in the early 1980s to the present day. I personally have written on a range of international monetary and trade concerns. William R. Cline has studied a wide array of trade, finance, development, and environmental issues. I. M. (Mac) Destler is the leading expert on American trade politics. Gary Clyde Hufbauer has done path-breaking work on a number of trade and tax topics. Howard Rosen has played an important role in both studying worker adjustment to trade dislocation and managing the Institute. Jeffrey J. Schott is the Institute's expert on global and regional trade negotiations. John Williamson has done definitive work on a number

of international monetary and development subjects as well as coining the (in)famous term "the Washington Consensus." Stephen Marris addressed the global imbalances of the day and was the other key member of the original team, which was assembled within the Institute's first two years and was instrumental to our rapid startup.

This initial group was subsequently joined by Kimberly Ann Elliott, Edward M. (Monty) Graham, C. Randall Henning, Marcus Noland, and Philip Verleger, the Institute's experts on labor and corruption, international investment, political economy, East Asia, and energy, respectively. A "second wave" of top researchers came to the Institute in the mid-1990s. Morris Goldstein had been deputy director of research at the International Monetary Fund (IMF). Catherine L. Mann was formerly assistant director of the International Finance Division at the Federal Reserve Board. Adam Posen arrived from the Federal Reserve Bank of New York. J. David Richardson became a permanent half-time senior fellow while continuing to teach at Syracuse University.

The current roster was rounded out by several major additions in the early years of the new century. Anders Åslund is one of the world's top experts on Russia, the rest of the former Soviet Union, and Eastern Europe. Martin Baily was chairman of the Council of Economic Advisers in the Clinton White House. Brad Jensen directed the Center for Economic Studies at the Census Bureau. Nicholas Lardy has been called "everybody's guru on China" by the *National Journal*. Robert Z. Lawrence was a member of the Clinton Council of Economic Advisers. Michael Mussa was chief economist at the IMF for a decade and a member of the Council of Economic Advisers under President Reagan. Edwin M. (Ted) Truman was director of the International Finance Division of the Federal Reserve Board, and chief international adviser to Chairmen Volcker and Greenspan for over 20 years, and subsequently assistant secretary of the Treasury for international affairs.

This blend of continuing and new senior fellows, along with the vigorous in-house debates that it helps produce, has been critically important in maintaining the freshness and creativity of the Institute's program.⁶ So has the versatility of the top staff in rotating their coverage of key issues. For example, William Cline led our efforts on the Third World debt crisis during the first half of the 1980s while John Williamson focused on international monetary topics, after which Williamson devoted much of his attention to Third World debt for several years while Cline shifted to international trade and currency topics. Most of our senior fellows cover a wide range of subjects, which avoids staleness on their part and is essential for an Institute that deliberately seeks to remain both small in size and flexible in shifting its attention to new topics that may suddenly rise to the top of the "rolling agenda." It is remarkable that, until the recent departure of Catherine L. Mann to teach at Brandeis University (while continuing to work on a number of projects at the Institute), not a single member of our senior staff had ever voluntarily left the Institute to go elsewhere without returning at a later time (as we hope Dr. Mann will do as well).

Our own staff conducts most major projects. This helps assure quality control, through constant in-house interaction and ongoing peer review. It greatly assists in the timely completion of studies. Perhaps most importantly, it builds resident expertise that develops over time and enables the Institute to obtain and sustain ongoing influence in the policy debate on particular topics. On some issues, the Institute has clearly created a "franchise" where its staff are the "go to" experts who are widely consulted whenever those topics come to the attention of policymakers and the public.

With its recent additions, the resident staff of the Institute now covers most of the major issues that confront the global economy, with particular depth on the core topics of international finance and trade. Its expertise extends to virtually all of the important geographical regions, particularly East Asia and Europe as well as the United States itself. Paul Blustein of the *Washington Post* says that "if there was an antitrust law against think tanks having all the good people in all these related



1994

US Treasury adopts "strong dollar policy"

Institute creates Corporate Advisory Committee



South Africa ends apartheid, partly due to economic sanctions

Clinton administration liberalizes US export controls

Institute terminates publication of *International Economic Insights*

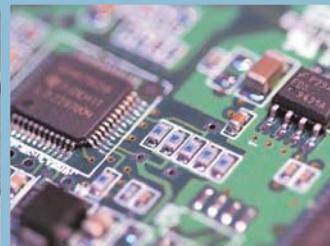


1995

Mexican peso crisis

Dollar exchange rate hits all-time low against yen (79:1) and deutsche mark (1.35:1); US and partner countries intervene successfully to counter its excessive weakness

WTO officially created in Geneva



1996

Information Technology Agreement, negotiated largely in APEC, frees \$500 billion of trade in largest sectoral deal in history

Bergsten proposes "competitive liberalization" strategy for US and global trade policy



Generous contributions by The Olayan Group, JP Morgan, and The Niarchos Foundation create second endowed chair at Institute in honor of Dennis Weatherstone, subsequently filled by Morris Goldstein

areas, I think the Justice Department would be coming down on the Institute with a ton of bricks.” Former Deputy Secretary of the Treasury and Undersecretary of State Stuart Eizenstat adds that “there is no institute anywhere in the world that comes close to having the breadth and depth that the Institute for International Economics has in its devotion to international economic studies.”

The Institute obviously cannot maintain in-house expertise on every topic that rises to the top of its “rolling agenda,” however, particularly in light of its desire to remain small and flexible. Hence the Institute periodically enriches the work of its own staff with research projects conducted by top economists who join temporarily as visiting fellows, numbering about 30 over its history to date.

Among the visiting fellows who have produced Institute publications are Bela Balassa and Jeffrey Frankel (three times each); Robert Baldwin, Peter Kenen, Paul

Krugman, and Dani Rodrik (twice each); and Barry Eichengreen, Richard Freeman, Matthew Slaughter, and Laura Tyson. Outstanding experts from outside the United States have included Wendy Dobson from Canada; Yoichi Funabashi, Takatoshi Ito, and Heizo Takenaka from Japan; Pedro-Pablo Kuczynski from Peru; Stephen Marris from the United Kingdom; Patrick Messerlin from France; and SaKong Il and Cho Soon from Korea. We are very proud that most of these foreign visitors, and several of our American visitors as well, have also been high officials of their respective governments either before or after their involvement with the Institute.

Both the research and support staffs of the Institute are now honored annually by awards established by Anthony M. Solomon. The initial recipients of the Anthony M. Solomon Staff Awards, chosen for their “major contributions to the Institute” for 2005, were Gary Clyde Hufbauer for the four separate studies he completed that year and Adela Jabine for her yeoman work in supporting the Institute’s fundraising efforts.



1996

Institute launches Web site,
www.iie.com



1997

Asian financial crisis

Goldstein proposal for international banking standard adopted to help counter international financial crises



WTO negotiates major sectoral agreements on financial services and telecommunications

Institute releases *Corruption and the Global Economy* edited by Kimberly Ann Elliott



Clinton administration fails to win new fast-track negotiating authority from Congress

OECD members sign antibribery convention



1998

Brazil and Russia financial crises

Institute launches Globalization Balance Sheet project, led by J. David Richardson, which produces 11 studies on the impact of globalization on the United States and the backlash against it

THE MEETINGS PROGRAM

The second key component of the Institute's strategy, in addition to research, is its very active program of conferences, seminars, and discussion meetings. These sessions aim to present and debate the major international economic issues of the day and those that lie ahead. Hosted in the Peter G. Peterson Building since its erection five years ago, the program has become a focal point for national and international consideration of these topics and is managed by our extremely capable meetings staff. Our trustee Jessica Einhorn captures the thrust of the meetings program when she says, "You are invited to the podium of the Institute for International Economics because of what you have to say and not because of who you are." Paul Blustein of the *Washington Post* notes that "I've certainly been at a lot of events at the Institute where big things have happened."

The Institute now hosts at least one such session virtually every week. The most frequent format is a luncheon or dinner meeting at which a featured speaker or panel presents an analysis of a current international economic issue and offers proposals for responding to it. Attendance at these sessions typically numbers up to 200 or even more government officials, Congressmen and staff, representatives of leading US and international companies, academics, researchers from other think tanks, and a large contingent from both print and electronic media. Former US Trade Representative Carla Hills "knows of no other institution that has such a drawing function," and Representative

Phil English adds that, at Institute meetings on trade, "you have in one place the real trade policymakers in Washington."

Some of these presentations are made by the senior staff of the Institute itself, usually to release new Institute studies. Many feature government officials or nongovernmental experts from the United States and around the world. Among the many recent examples are a report by WTO Director General Pascal Lamy on the prospects for the Doha Round of global trade negotiations, a rollout by IMF Managing Director Rodrigo de Rato of his strategy for reforming the IMF, and an assessment by Congressman Michael Oxley of the outlook for new legislation governing foreign direct investment in the United States in the wake of the Dubai Ports World debate. Trade ministers from Egypt, Indonesia, Malaysia, Pakistan, and Turkey have addressed Institute audiences in the past two years. So have top officials from the governments of China, Germany, and Japan; from key international institutions including the European Central Bank, the European Union, and the Organization for Economic Cooperation and Development (OECD) as well as the IMF and WTO; and from the private sector, such as the CEOs of BP and Shell, David Rubenstein of The Carlyle Group, and Robert Rubin of Citigroup.

Two annual lecture series are featured elements of the meetings program. Since 2001, the Stavros S. Niarchos Foundation has sponsored an annual event that brings a leading thinker and/or practitioner to the Institute for an evening presentation and exchange with a particularly distinguished audience. The Niarchos Lectures to date have been offered by Alan Greenspan, Ernesto Zedillo, Lawrence Summers, Long Yongtu, and Mario Monti. The lecture will be presented in 2007 by Heizo Takenaka, the architect of Japan's financial and other sweeping reforms under the Junichiro Koizumi

government during 2002–06. Our second lecture series, sponsored by The Whitman Family Foundation, funded by trustee Marina Whitman and her husband Robert, has featured Mario Monti, Noboru Hatakeyama, Martin Wolf, and Assar Lindbeck.

Small brainstorming sessions are another type of Institute gathering. We frequently assemble groups of top experts to discuss a given topic, sometimes based on early drafts of Institute studies and sometimes at the request of top officials of the US or other governments. The Institute's own staff holds weekly luncheon meetings to review the work-in-progress of one of its members or to exchange views with an invited guest.

The Institute also hosts several major conferences each year, usually running for a full day but sometimes extending into a second. Recent events of this type have addressed reform of the IMF, the outlook for the dollar and other major currencies in light of the large imbalances in international current account positions, the initial five-year record of the euro as an international currency, and the prospect for more free trade agreements between the United States and other countries. We plan to hold a conference in early 2007 on “The Politics of Economic Reform in Rich Countries,” to be addressed inter alia by former Secretary of the Treasury Lawrence Summers on the United States and former Japanese reform leader Heizo Takenaka.



1998

Congress approves large quota increase for IMF

Successful Japan–United States intervention to stop decline of yen

OECD negotiations on Multilateral Agreement on Investment collapse

1999

Adam S. Posen proposes recovery strategy for Japan

Creation of euro

Hufbauer policy brief plays central role in Senate rejection of steel quota bill

WTO ministerial at Seattle collapses; no launch of new WTO trade negotiations

Goldstein selected as executive director of Council on Foreign Relations Task Force on International Financial Architecture, subsequently authors its influential report

2000

China completes requirements to enter WTO, and US Congress passes permanent normal trade relations (PNTR) legislation

Bergsten named to International Financial Institutions Advisory Commission created by Congress, subsequently authors its minority report opposing sharp weakening of IMF

IMPACT

Impact and influence are principal objectives of the Institute for International Economics. They are extraordinarily difficult to discern and document, however, even after major policy decisions have been made. The bottom line for a think tank is thus unusually elusive. It has been remarked that the Institute “may be the most influential think tank in the world,”⁹ but what follows in this section is simply our own best reading, based largely on comments by others and whatever evidence has come to our attention, of instances where our work seems to have led fairly directly to national or international thinking and policy actions that might otherwise not have occurred.

An economics think tank like the Institute can have three types of impact: on the way people think about issues conceptually, on the numbers they use to assess the quantitative effects of important variables, and on specific policy decisions. Such impact can be transmitted directly to the policymakers who are responsible for making specific decisions or indirectly via leaders of the policy community who are in turn influential in their own right, such as prominent CEOs or even entertainment figures like U2 lead vocalist Bono. We can also affect the broader climate of opinion on an issue, notably through the media, or by influencing academic thinking and thus the still wider intellectual mindsets that frame issues for subsequent judgment. Influence can of course be exercised domestically or in other countries, or sometimes in the case of our issues through the actions of international institutions where the United States and its foreign partners are working together. The assessment in this section will cover all these possible channels, with examples from each of the

three decades during which the Institute has been operating.

Former Secretary of the Treasury and former President of Harvard University Lawrence Summers has recently observed, “I don’t think there have been many institutions outside the government, if any, that have had the same kind of impact on global economic thinking as the Institute for International Economics.” There are several fairly clear examples of Institute studies that importantly shaped domestic and international thinking on key international economic issues:

- Soon after our creation, a series of studies by William Cline, which Paul Krugman called “the definitive work on the topic,” and others at the Institute helped both governments and private banks respond to a Third World debt crisis that raised major new conceptual as well as policy problems for them.¹⁰
- In the early 1980s, Stephen Marris developed what *The Economist* called the “locus classicus” of the concept that the large and rising global imbalances and related currency misalignments of the day could produce a “hard landing” for the world economy.¹¹ Concerns of that type at least partially motivated the strategies of the United States and G-5 in subsequent years, culminating in the Plaza and Louvre Agreements, and then Federal Reserve Chairman Paul Volcker has praised Marris’s “constructive influence” on that debate. The renewed onset of large imbalances in the current decade has revived fears of such a crisis, to which the Institute has responded with a series of extensive new analyses.¹²
- I. M. (Mac) Destler’s *American Trade Politics*, originally published in 1986 and now in its fourth edition, has been called “a classic,” “the essential text,” and “required reading for all USTRs.” Former Congressman Bill Frenzel, for many

years the ranking Republican on the House Ways and Means Trade Subcommittee, has said that “if I were the trade czar, I would want Destler as coach, guide, historian, analyst and interpreter.”

- In the late 1980s, Edward M. (Monty) Graham and Paul Krugman produced a comprehensive study of foreign direct investment (FDI) in the United States that demonstrated the substantial benefits that FDI generated for the US economy and thus provided ammunition for rejecting the many proposals of the day to restrict such flows.¹³ Their analysis helped dispel much of the contemporary concern that Japan “was taking over America” and was praised as the first study of its type by *The Economist*, the *Financial Times*, and the *New York Times*. Updated and elaborated in a recent study by Graham and David Marchick on closely related issues,¹⁴ this analysis has again become highly relevant in light of the new anxiety about Chinese and Arab investments in the United States.
- Our work on economic sanctions, developed initially in the early 1980s and constantly updated and revised throughout the history of the Institute by our intact team of Gary Hufbauer, Jeffrey Schott, and Kimberly Elliott, has been called “the classic scholarly study of sanctions,” and Ford Foundation staff noted that “many of the participants in the national debate [in 1991] on the choice between war and the maintenance of sanctions against Iraq made widespread use of the definitive Institute study on the effectiveness of economic sanctions.”
- My own creation and development during the 1980s of the “bicycle theory,” which posits that trade policy must move steadily forward toward greater liberalization if it is to avoid sliding backward into protectionism, became widely accepted around the world and contributed importantly to the steady efforts to continually launch new negotiations to reduce trade barriers, as documented in I. M. (Mac) Destler and Marcus Noland’s chapter in the

forthcoming volume *International Economic Policy: Essays in Honor of C. Fred Bergsten*, edited by Michael Mussa.

- At the end of the 1980s, John Williamson summarized the policy strategies that were being recommended to and adopted in Latin America to overcome its “lost decade” of debt crisis and called it the Washington Consensus.¹⁵ That construct dominated development thinking and policy for at least a decade and has now become a focus for attack from antiglobalizers.
- In the mid-1990s, I developed the concept of “competitive liberalization” to describe and advocate the process of pursuing global trade liberalization through simultaneous, and hopefully reinforcing, negotiations at the multilateral, regional, and bilateral levels.¹⁶ That strategy was explicitly endorsed and implemented by the administration of George W. Bush in the early part of this decade, initially by US Trade Representative Robert Zoellick and subsequently by his successors. Policymakers in a number of other countries have espoused it as well.
- In the middle part of this decade, Catherine L. Mann helped quiet some of the new anxieties over “offshoring” (outsourcing of white-collar jobs) by demonstrating that it was a technology-enhanced manifestation of the principle of comparative advantage and part of a process that would generate net economic benefits and net job creation for the United States, while recognizing that it would also accelerate job churn for a wider group of higher-skilled workers and thus require new and innovative policy responses.¹⁷

At the level of quantitative estimates that have become widely cited and thus highly influential, usually to the extent that most users have no idea where they came from originally, there are also several examples that derive directly from the work of the Institute:



(\$10,000 per family) per year richer as a result of the trade globalization of the past 60 years and that the country would gain another \$500 billion annually if the world could move to totally free trade.²¹ Both the Richardson and Hufbauer et al. calculations have become staples of presentations by USTRs and other pro-trade officials, and by businessmen and journalists supporting globalization, and Secretary of the Treasury Henry M. Paulson cited the latter prominently in his initial speech on the world economy in September 2006.

- The “reference ranges” among the major currencies that the G-5 adopted via the Louvre Accord in 1987 clearly derived from the “target zones” for exchange rates invented by John Williamson and me in 1982–83,²² which we described in detail to Deputy Secretary of the Treasury Richard Darman in early 1985 when he was planning the new dollar strategy that the United States and its partners announced at the Plaza later that year. Bruce Stokes reported in the *National Journal* that the Louvre Accord, and the US-Japan bilateral agreement on a yen-dollar reference range that preceded it, “marked official acceptance of the Institute-spawned idea of managed exchange rates.”
- In the mid-1990s, Secretary of Commerce Ronald Brown “wholeheartedly endorsed the

Specific policy decisions are the hardest of the three categories of impact to assess with confidence. There are nevertheless several examples where the work of the Institute seems to have had a direct effect on important decisions taken by the US and/or other governments to address major international economic issues:

Bono of U2 visits Institute to brainstorm debt relief and other development strategies

Institute assists in creation of Center for Global Development, made possible by generous contribution from Edward W. Scott



2002

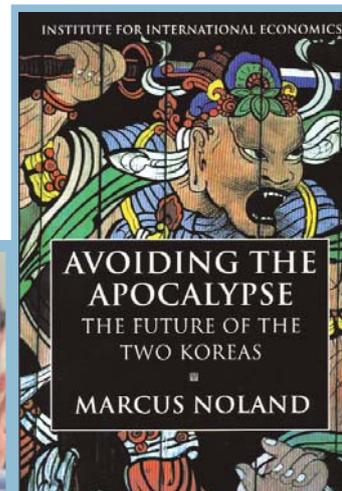
Congress narrowly passes trade promotion authority with major reforms of trade adjustment assistance including wage insurance

Institute launches semiannual Global Economic Prospects series led by Michael Mussa and Martin Baily



Euro banknotes and coins put into circulation

Second edition of media citations index for economics think tanks reaffirms Institute as number 2 institution and Bergsten as number 1 individual



Net foreign debt of US exceeds \$2 trillion on both official definitions

Marcus Noland wins Japan's 2000-01 Ohira Masayoshi Award for his Institute book *Avoiding the Apocalypse: The Future of the Two Koreas*

findings” of J. David Richardson’s *Sizing Up U.S. Export Disincentives* and used its path-breaking estimates of the costs of the export control system to achieve major liberalization thereof.²³

- Chiefly through my chairmanship of the Asia Pacific Economic Cooperation (APEC) forum’s Eminent Persons Group, I played a central role in preparing the decision of the APEC leaders in 1993–94 to achieve “free and open trade and investment in the region” by dates certain. The *Asian Wall Street Journal* opined at the time that “Bergsten has provided much of the vision for APEC into the next century.”
- In the wake of the Asian financial crisis, the international financial community in 1997–98 adopted with alacrity the International Banking Standard proposed by Morris Goldstein²⁴ in what Stanley Fischer, former first deputy managing director of the IMF, called “reasoned public advocacy at its best.”
- The very narrow passage of the Trade Promotion Act of 2002, which authorized US participation in the Doha Round and the numerous free trade agreements that have been undertaken since that time, was smoothed and perhaps made possible by inclusion of major reforms in trade adjustment assistance (TAA) embedded in the bill by legislative aide and ex-Institute fellow Howard Rosen on the basis of extensive work at the Institute, notably including the concept of wage insurance for workers displaced by trade flows as revived and developed in detail by Lori Kletzer²⁵ and unveiled to a large audience on Capitol Hill during the debate on the legislation. Senator Max Baucus, who as chairman of the Senate Finance Committee piloted the trade promotion authority (TPA) legislation through the Senate, recently noted that “the Institute’s work on TAA helps ameliorate some of the [anti-globalization] concerns a lot.”

In the case of specific policy impact, a number of other Institute proposals have also made substantial contributions. Treasury staff told us at the time that Cline’s analyses of the Third World debt crisis were cornerstones of the Baker Plan announced in 1985. John Williamson’s subsequent work on debt relief was likewise credited with contributing importantly to the Brady Plan in 1989. Bela Balassa and Marcus Noland’s analysis of the Japanese economy in the late 1980s played an important role in both galvanizing and informing the Structural Impediments Initiative that the United States subsequently launched with Japan (and Noland’s later work with me on Japan contributed to the follow-on US-Japan Framework Agreement). Hufbauer, Schott, and other Institute authors made major inputs to the content and conduct of virtually every major US trade negotiation during this period: the Uruguay Round, NAFTA, the launch of the Free Trade Area of the Americas, the several large sectoral agreements in the late 1990s, and the Doha Round. Former USTR Carla Hills testifies that “the work product of the Institute shaped trade thinking in the late ’80s and early ’90s, was persuasive in our Congress, and continues to shape trade thinking.” Ted Truman’s recent conference and volumes on IMF reform, continuing our work on that topic that runs from our very first publications in 1982–83 through Michael Mussa’s penetrating account of the Argentine debacle in 2002 (which became a bestseller in Argentina), are widely credited with catalyzing that process after a prolonged period of inaction. Former Federal Reserve Chairman Paul Volcker notes that “Ted Truman in the Institute has certainly led the way in drawing attention to the challenges for the IMF and the prospects for its reform.”

Many of these examples pertain to the influence of the Institute in the United States. Some refer to actions that were taken internationally (e.g., by the G-5 Finance Ministers at the Plaza and Louvre, in international trade negotiations, at the IMF, or by APEC) in light of our focus on systemic issues. A number of Institute projects, however, have had their primary impact in other countries. Latin

American and other developing countries were of course on the front lines in applying the Washington Consensus, albeit often with support from the international community. Balassa and Williamson's work on the newly industrializing countries in the late 1980s, especially Korea and Taiwan, helped persuade them to think and act like the surplus countries they had become (and the G-7 to encourage them to do so). In recent years, Adam Posen's analyses of Japan's "lost decade" and Germany's disappointing performance, and those of Martin Baily and Jacob Kirkegaard on Europe's structural problems, have contributed importantly to the reform debates there. Numerous countries have shown keen interest in the studies by Noland and Howard Pack of the record of industrial policy in East Asia and how it might be applied today. Former Secretary of the Treasury Summers suggests that the Institute "has unparalleled connections to finance ministries around the world," and former high official Eizenstat observes that "There is no institute in the world that comes close to having the broad impact the Institute for International Economics does in capitals across the world."

These Institute studies of other countries have also helped broaden understanding of those countries' problems and policies in the United States itself, which can in turn influence US approaches toward those nations. The former president of the Deutsche Bundesbank, Karl Otto Pöhl, commented frequently that the Institute was the only organization in the United States that consistently adopted a global perspective and took the viewpoints of other countries into account, "which means that we must respect and support it whether or not we agree with all of its specific proposals." He and many other members of our Board of Directors from outside the United States, such as former French Prime Minister Raymond Barre and current trustees (and former high government officials) Cao Koch-Weser from Germany and Mario Monti and Renato Ruggiero from Italy, have injected Institute thinking into the policy debate in their countries and regions of the world. We have explicitly promoted this objective by sponsoring consultative groups between top officials, private-

sector experts, and analysts (including of course Institute staff) from the United States, Japan, Germany, and some other key countries.

A specific example on a recurrent issue of trade policy will illustrate how Institute impact can occur. The case shows how the four fundamental components of intelligent think-tank operation, as described in the earlier discussion of our research program, can be combined in practice to achieve our basic goals. Conditions in the real world seldom permit full application of the idealized set of criteria but, in one reasonably significant instance, the Institute was able to closely approximate the model in practice.

The issue was Senate consideration of legislation to place import quotas on steel in the summer of 1999. The House of Representatives had passed the bill earlier that year, and it looked likely to also win Senate approval and possibly even become law over a presidential veto. Following the four-part strategy, the Institute was able to play an important role in demonstrating the shortcomings of the bill and thus contribute to its defeat.

First, Senior Fellow Gary Hufbauer had developed a solid foundation for addressing the issue through his previous in-depth analysis of the impact on the US economy of restrictions on steel trade.²⁶ As the steel import issue resurfaced periodically over succeeding years, Hufbauer updated his assessment on several occasions, relating it to different specific proposals as they emerged. Hence his data and policy context were constantly refreshed and applied to the evolving debate.

Second, I concluded that the decisive debate would occur in the Senate toward mid-1999. Hence I asked Hufbauer to apply his well-developed methodology to the pending bill in order to assess its impact on US producers and workers, US consumers and steel-using industries, and major supplying countries. Because of his previous research and subsequent updates, Hufbauer and his team of



research assistants were able to do so quickly and efficiently. Their most striking findings, which became the punchlines of the opponents of the legislation and were never countered by its supporters, were that fewer than 2,000 jobs would be saved by the quotas and that each job saved would cost American households an average of \$800,000 per year with less than 20 percent of this sum accruing to the steelworkers. The Institute released the new results in a policy brief several weeks before the climactic Senate vote.²⁷

Third, we conveyed copies of the new analysis to all key members of the administration, senators and their staffs, and the media. Opponents of the bill were thus able to use Hufbauer's analysis as their text in demonstrating its high costs and limited benefits. Senate leaders from both parties, including Finance Committee Chairman William Roth and International Trade Subcommittee

Chairman Charles Grassley, did so extensively in the floor debate.

Fourth, virtually every leading newspaper in the country featured the Institute's analysis in their stories on the bill on the morning that it came to the floor of the Senate. Several included in-depth interviews with Hufbauer and me as well. A number of editorials echoed the key numbers, and our coauthors ran their own op-ed in the *Washington Post*. The public was thus educated on the exceedingly poor benefit-cost ratio of the proposal, and most papers editorialized strongly against it.

Despite widespread fears that the bill would pass, as late as the eve of the vote, it was rejected handily. Determinants of congressional votes (or any other policy decisions) are of course very difficult, if not impossible, to discern even with

New Institute building wins Best Design award from American Institute of Architects



2003

Cancún ministerial fails to advance Doha Round negotiations

Catherine L. Mann leads response to widespread concern over outsourcing of US white-collar jobs



Japan resumes economic growth

Second Niarchos Lecture presented by Ernesto Zedillo



US invades Iraq

At request of G-7 and G-20, Institute hosts conference in Paris to pursue resolution of IMF debate on proposed Sovereign Debt Restructuring Mechanism



Goldstein and Nicholas Lardy develop case for substantial revaluation of Chinese renminbi

painstaking retrospective research. Many direct participants in the process, however, reported that the Institute's analysis, and especially its communication to the right places at the right time, had a major and perhaps decisive impact.

Few instances occur where it is possible for a think tank to carry out its mission as successfully as in this particular case. The example demonstrates that it is possible to do so, however, and the other examples cited here demonstrate the impact of Institute research over the years. Former Treasury Secretary Summers has in fact suggested that "Institutions like the Institute for International Economics make an enormous difference... Almost everything that statesmen say represents the content of a fax from a think tank within the last several months and no think tank more frequently than the Institute for International Economics."

In light of the subjective nature of these direct observations of policy impact, it is natural to look for indirect measures that can shed additional light. Three come to mind: media citations of Institute experts, requests for assistance that come to the Institute from governments and other key participants in international economic affairs, and emulation of the Institute itself through the creation and behavior of other think tanks that believe its model merits an attempt at replication.

One indicator of the impact of the staff, and thus of the Institute itself, is its outreach into the public debate as measured by references in the quality media. Three successive surveys of media citations²⁸ have found that, of the top think tanks that address economic issues, several of which are considerably larger than the Institute, the Institute has ranked second throughout 1997–2005. In 2004, the latest full year for which data have been compiled, the Institute took over the top spot. I have been cited considerably more often than any other individual think tank economist over the eight-year period. Six Institute economists—Goldstein, Hufbauer, Lardy, Mann, Noland, and I—were among the top 10 cited either over the cumulative period or in individual recent years²⁹ (see table, page 44).

Media quotations are obviously an imperfect measure of impact. They do, however, provide one indication of the extent to which Institute staff participate in the public debate and thus help shape ultimate policy outcomes. Craufurd Goodwin, in his review of the Institute in 1991, concluded that "Fred Bergsten and the senior fellows of IIE have become familiar faces on the evening news and authoritative names on the front page of the morning paper." He quotes one of the journalists he interviewed as noting that "IIE's influence with the press goes far beyond the number of times they are quoted."

The first of the three surveys cited also compiled think tank citations in the academic literature. Here too the Institute, already in the late 1990s, ranked second among all economic research institutions. The implication is that the Institute wields considerable intellectual and thus indirect as well as direct policy influence.

Direct requests for assistance are another indicator of relevance as such requests would presumably be made only if the ideas conveyed by the Institute were intended to be used. For example, the French Treasury as chair of the G-7 Finance Ministers asked us to convene a meeting of government officials, private-sector leaders, and top academics in 2003 to attempt to resolve the stalemated debate over whether the IMF should create a Sovereign Debt Restructuring Mechanism (SDRM) to help deal with the global currency crises. Several governments including France, Italy, Japan, and the United Kingdom asked the "shadow G-8," which I have chaired since 2000, to help them prepare for the summits they have hosted in recent years.

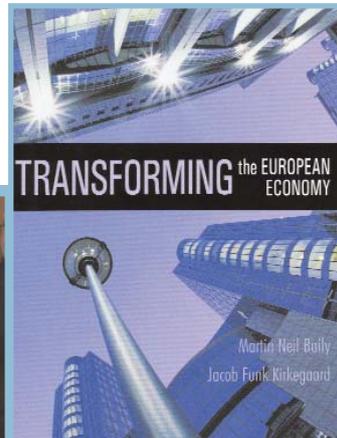
Beyond the frequent solicitation of informal advice and briefings for officials and business leaders, in recent years especially on trade policy and the China currency issue in the case of both the US administration and Congress,³⁰ two types of invitations have become prevalent. One is from foreign governments and business groups seeking Institute analysis of the prospects for free trade negotiations with the United States: We have now conducted studies of this type for possible US pacts with Colombia, Egypt, Indonesia, Korea, Pakistan,

Switzerland, Taiwan, and the Middle East as a group. These requests have often come directly from very high officials of the country, including Trade Minister (and later Deputy Prime Minister) Han Duck Soo in Korea and Trade Minister (later Minister of Finance) Youssef Boutros-Ghali of Egypt. The other type of invitation is from one or several US companies asking us to undertake new projects on such topics as the implications for the United States of China's emergence as a global power and the upcoming congressional debate on permanent normal trade relations (PNTR) for Russia.

Such requests can of course pose difficult issues for the Institute. On the one hand, the topics are of considerable importance to the requesting country or company, who are almost always important players in the world economy. On the other hand, they may not rank high enough on our

“rolling agenda” to command Institute attention. We accept only those that meet our own tests of salience and therefore reject many of the proposals that we receive. (We also reach conclusions in some of the requested studies that are disappointing to their sponsors: Switzerland backed away from seeking an FTA with the United States when it learned the extent of the agricultural reforms it would need to make, and we concluded that Taiwan's proposed FTA with the United States would be a bad idea.) The point here is simply that the substantial and growing frequency of the requests would seem to provide an indirect indicator of Institute impact, credibility, and reputation.

Yet another indicator of influence is institutional emulation in the United States and around the world. In preparing his comprehensive forthcoming study of think tanks, Abraham F. Lowenthal has indicated that he has “been greatly



2004

China becomes world's third largest trading nation

George W. Bush re-elected president

Institute becomes think tank most widely quoted by quality press on economic issues

Third Niarchos Lecture presented by Lawrence Summers

2005

Central American Free Trade Agreement (CAFTA) narrowly passes Congress

Congressional uproar torpedoes proposed China National Offshore Oil Corporation (CNOOC) takeover of Unocal

Baily and Jacob Funk Kirkegaard propose comprehensive economic reform strategy for Europe

Hufbauer team concludes that United States is \$1 trillion per year richer as result of trade globalization since 1945

Fourth Niarchos Lecture presented by Long Yongtu

SUPER STARS: TOP THIRTY THINK TANK SCHOLARS OVERALL, 1997–2005

Rank	Citations	Name	Think Tank(s)	2002 Rank
1	461	C. Fred Bergsten	Institute for International Economics	1
2	383	Robert D. Reischauer	Urban Institute & Brookings Institution	3
3	335	Robert E. Litan	Brookings Institution	2
4	330	Marshall Wittmann	Progressive Policy Institute, Heritage Foundation & Hudson Institute	*
5	294	Gary Clyde Hufbauer	Institute for International Economics	11
6	292	Nicholas R. Lardy	Institute for International Economics & Brookings Institution	5
7	291	Jared Bernstein	Economic Policy Institute	8
8	255	James K. Glassman	American Enterprise Institute	4
9	217	William G. Gale	Brookings Institution	13
10	215	Kevin A. Hassett	American Enterprise Institute	7
11	185	Will Marshall, III	Progressive Policy Institute	19
12	179	Stephen Moore	Cato Institute	*
13	174	Morris Goldstein	Institute for International Economics	6
14	170	Peter R. Orszag	Brookings Institution	#
15	163	Robert Greenstein	Center on Budget and Policy Priorities	14
16	155	John H. Makin	American Enterprise Institute	9
17	154	Bruce Bartlett	National Center for Policy Analysis	17
18	152	Clyde V. Prestowitz, Jr.	Economic Strategy Institute	12
19	143	William H. Frey	Milken Institute & Brookings Institution	#
20	123	Nicholas Eberstadt	American Enterprise Institute	2
21	113	Bruce Katz	Brookings Institution	16
22	111	Henry J. Aaron	Brookings Institution	10
23	110	Ross C. DeVol	Milken Institute	#
24	109	Michael D. Tanner	Cato Institute	23
25	107	Marilyn Moon	Urban Institute	#
26	104	C. Eugene Steuerle	Urban Institute	#
27	101	Adam S. Posen	Institute for International Economics	14
28	98	Jeffrey J. Schott	Institute for International Economics	25
29	97	Benn Steil	Council on Foreign Relations	28
30	94	William A. Niskanen	Cato Institute	#

*These scholars were not included in 2002.

These scholars were included in 2002 but ranked outside the Top 30

THE INTERNATIONAL ECONOMY SUMMER 2005

impressed with IIE's role as the model for 'best practices' in so many dimensions of the effort to build independent and influential policy research organizations." One scholar at another US think tank interviewed by Craufurd Goodwin in his review of the Institute in 1991 suggested, "the IIE has been so successful that it has caused its competitors to modify and improve their own practices." The director-general of the National Council of Applied Economic Research, one of India's leading think tanks, recently referred to "our US role models such as the Institute for International Economics."³¹

Several major think tanks have been created over the Institute's history that have explicitly used and cited it as a model. One of the earliest was the Korea Institute for International Economic Policy (KIEP), created in 1990 under the direction of Cho Soon, the deputy prime minister at the time and who earlier had spent a year at the Institute as a Ford Foundation Visiting Fellow. KIEP has now become one of the top research centers in Korea and in all of East Asia. The latest instance is BRUEGEL, the new European think tank created in Brussels by 14 European governments and over 20 leading European companies to be the first European institute dedicated to global economic issues. According to its Chairman Mario Monti, in announcing its launch, the Institute for International Economics is "its explicit model."

The most noteworthy case has come here at home with the startup in 2001 of the Center for Global Development, which is now celebrating its fifth anniversary as we celebrate our twenty-fifth. Responding to an enormously generous initiative from Silicon Valley entrepreneur Edward W. Scott, we helped create the Center to meet the need for a new US institution devoted to development issues after the closure of the Overseas Development Council in the late 1990s. We incubated the new Center during its initial year of operation, as the Carnegie Endowment for International Peace had so generously incubated us during our startup period, and are delighted that under the leadership of Nancy Birdsall, it has already established both its own

independent strategy and a leading position in the global debate on development.

An even more indirect, and difficult-to-measure, channel for influence is through college and university courses on international economic topics. Institute studies have been used in over a thousand institutions of higher learning, including in business schools and international relations programs as well as economics departments. At least one-third of our total publications sales are to this academic market. In addition, several of our staff teach at nearby universities, and most of us make frequent presentations to academic audiences. Through the active use of research assistants who are at various points in their own educational cycles, some of whom have already gone on to establish distinguished careers of their own (such as former Vice Minister of Economy of Argentina Miguel Kiguel and NPR talk show host Laura Knoy), our senior staff does a modicum of direct instruction as well. The Institute does not view the academic world as its primary audience, but we place great value on our contributions to the education and training of young people, who we hope will one day benefit from them as they come to play leading roles in our global society.

“SEVERAL MAJOR THINK TANKS
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THE INSTITUTE IN 2006 AND BEYOND

The program of the renamed Peter G. Peterson Institute for International Economics for the period ahead will be grounded in the global economic conditions of the day, as was its program in the startup period a quarter century ago. There are striking similarities between the two periods, which suggest important continuities in our agenda, but dramatic differences as well. These differences pose new challenges to governments and private sectors around the world that will call for creative and innovative responses from the Institute.

The current period, like the early and middle 1980s, is marked by large and growing trade imbalances and misaligned currencies, with the United States running the dominant deficit and the corresponding surpluses accruing largely in East Asia, the oil exporters, and some European countries. As in the early 1980s, very high and rapidly rising world oil prices, with adverse effects on global growth and inflation, characterize the current period. Global trade negotiations were in abeyance in the early 1980s, as the United States tried to stimulate a successor to the Tokyo Round, as they are today with the indefinite suspension of the Doha talks. These recurring problems starkly reveal that the world has not yet learned nearly enough to prevent and resolve difficulties that have plagued its economy for a generation or more. They call for continuing application of Institute expertise to help fashion solutions to sustain world growth and open trade policies.

There are also distinct differences from the world of 1981, which have major implications for the agenda of the Institute. The United States has

experienced a significant and sustained increase in its productivity growth over the past decade, importantly due to its embrace of globalization, greatly strengthening its underlying economic foundations. Its monetary policy, like that in many other countries, has established its inflation-fighting credentials much more solidly. On the other hand, the United States has shifted from being the world's largest creditor country to the world's largest debtor over this period, blowing past the Mexicos and Brazils that were the focus of global debt concerns in the 1980s and 1990s, and thus now occupies a much more vulnerable international position. The creation of the euro, which provides at least a potential rival to the dollar as the world's key currency for the first time in almost a century, could simultaneously alter the ability of the United States to finance its external deficits.

Even more fundamentally, the backlash against globalization has made major inroads in the United States over the past decade or so. Dating from the battle over NAFTA, American politics have largely stalemated over whether this country should maintain its traditional leadership in forging additional liberalization of its own economy to trade and investment with the rest of the world. Domestic policies and institutions in the United States have failed to keep up with the accelerated pace of adjustment that is required to cope with change in today's world, a large portion of which is frequently blamed on globalization, and thus to provide a sustainable political foundation for an open international economic policy.

The reaction against globalization is not confined to the United States, of course. Other countries, both advanced and developing, are also reluctant to open further. The inadequacies of current policies on many global economic issues (such as the imbalances and the Doha Round), and the faltering operations of key institutions including the IMF and the WTO as well as the

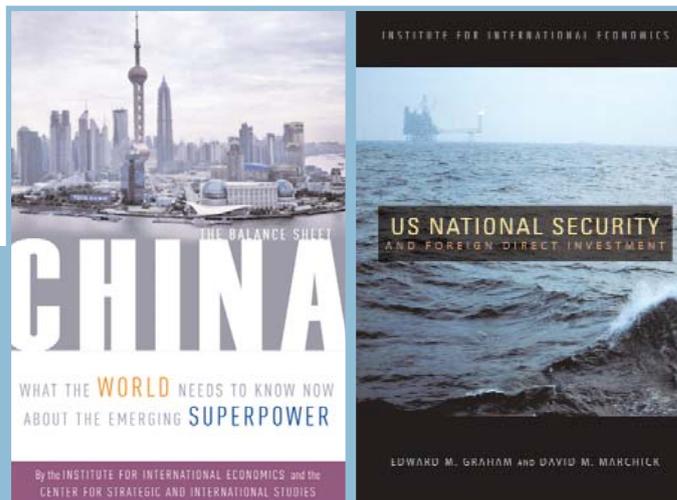
G-7/G-8, raise pervasive doubts about their effectiveness and even their legitimacy. The advent of a vast number of bilateral and regional trading arrangements, which has accelerated steadily over the past quarter century, adds enormously to the complexities of the trading system and to the challenges to its orderly conduct.

Unless impeded by governments, however, globalization is likely to expand much further. Numerous studies show that national borders still deter much trade. Some sectors, particularly in services, are only beginning to be liberalized in many of the most rapidly growing countries. The globalization of financial flows, which is already huge, is probably still at an early stage. International migration of people at all skill levels carries tremendous potential for future

growth. Market forces will continue to shrink the world economy and raise increasing policy challenges for virtually all governments.

The rise of China, and potentially India, as a global economic superpower also alters the world economy's landscape so profoundly that many observers call for a "new paradigm" to both understand and manage it. So does the demographic picture facing the rich countries, especially Japan and most of

the Western Europeans, which will result in substantial declines in their labor forces over the coming decades with daunting implications for maintaining their social



2005

US current account deficit exceeds \$700 billion

China revalues renminbi by 2.1%

Institute conference and subsequent publications by Edwin M. Truman catalyze IMF reform

New European think tank BRUEGEL created on model of Institute

Initial Anthony M. Solomon Staff Awards won by Gary Clyde Hufbauer and Adela Jabine

Reynold Levy succeeds Anthony M. Solomon as chairman of Executive Committee of Board of Directors

2006

Bergsten and Lardy coauthor *China: The Balance Sheet: What the World Needs to Know Now about the Emerging Superpower*, first Institute study coauthored with another think tank (the Center for Strategic and International Studies) and first Institute book published by a commercial firm (Public Affairs Press)

World experiences fourth consecutive year of most rapid growth since early 1970s

China becomes world's largest holder of foreign exchange reserves

US National Security and Foreign Direct Investment by Graham and David M. Marchick opposes major tightening of US policy in this area

Congressional uproar torpedoed proposed takeover of several US port operations by Dubai Ports World and triggers legislative proposals to tighten US policy toward inward foreign direct investment

George David becomes initial vice chairman of Board of Directors



safety nets without destroying fiscal stability. Taken together, these developments suggest a truly epochal shift in economic and political relationships and thus in the eventual institutional foundations of the world economy, with newly emerging economies moving rapidly to the forefront over the coming decades while at least some of the traditional leaders recede.

The United States stands in the middle of these potentially decisive trends. For the last decade or so, it has begun pulling away from Japan and Europe, the competitors that challenged its global economic dominance in the earlier postwar period but were also its closest allies. It is now being pursued by new challengers, who despite their modest starting points possess both the economic dynamism and critical masses of population to assume central roles in the world economy in the relevant future—and who do not have close

political and security relationships with the United States. The American response to this dramatic alteration in the composition of the global economic landscape will go far to determine its own prosperity and stability in the decades ahead as well as the ultimate shape of the world's economic order and perhaps its political and security arrangements as well.

The Peter G. Peterson Institute for International Economics thus confronts a rich, exceedingly complex, and intensely difficult agenda as it looks ahead to its next quarter century. We will clearly have to broaden our agenda, to address both new issues and additional countries, and deepen our work on many topics both old and new. We have already begun that process with several major projects, including

- a three-year effort to understand the likely global impact of China and its implications for the United States. The China Balance Sheet Initiative, under which the Center for Strategic and International Studies is addressing security and foreign policy issues in parallel to our work on the economic dimensions, has already produced the best-selling book *China the Balance Sheet: What the World Needs to Know Now About the Emerging Superpower*. The book has been used and praised by a number of top US officials including Secretary of the Treasury Henry Paulson and former Deputy Secretary of State Robert Zoellick.
- two extensive studies on the Middle East, on how economic reforms there and new trade agreements with the United States might contribute to reducing political instability and global security risks.



2006

US launches FTA negotiation with Korea, its biggest since NAFTA

Institute celebrates 25th anniversary with gala dinners in New York and Washington, announces successful completion of \$50 million capital campaign and renaming as Peter G. Peterson Institute for International Economics



Deflation ends in Japan

World price of oil soars to nearly \$80 per barrel

Doha Round negotiations suspended

Fifth Niarchos Lecture
presented by Mario Monti

- a comprehensive analysis of the competitiveness of the United States, in the face of the challenge from China and other countries, with the goal of deriving policy proposals to strengthen the US position in the evolving world economy.
- an in-depth study of financial globalization, suggested to us by Alan Greenspan, which will seek to parallel our recent analysis of the impact of trade globalization.

For the longer run, we will need to tackle a host of additional questions. What will India mean for the world? What will declining populations, and hence revenue bases, mean for the global roles (as well as economic prospects) of Japan and much of Western Europe? How can both the supply and demand sides of the migration issue be handled efficiently and harmoniously? Can forward movement of the “bicycle” of trade and investment liberalization be maintained in the face of the widespread backlash against globalization? Can we fashion and implement a more stable international financial architecture? Can new energy policies, and perhaps a new international energy regime, be constructed to ensure adequate and secure supplies as well as to address growing environmental problems?

Will traditionally “domestic” issues force their way increasingly onto the “international economic” agenda? Will differences in national health care and pension systems, for example, become so important to relative economic performance and hence relations among nations that they will need to be addressed jointly? Education and worker training programs obviously play important roles in determining the international competitiveness of individual countries and must increasingly be seen in that context. Worker and firm adjustment to external disturbances, while no different in principle from other shocks, carry very different political economy

implications and must therefore be factored centrally into countries’ “foreign economic policies.”

At the international institutional level, how will the IMF adapt its governance structure as emerging-market countries, especially China, become increasingly important? Will the WTO remain relevant in a world dominated by bilateral and regional trade pacts? Will the emergence of an East Asian bloc presage the onset of a tripolar global construct with a fading European Union and a bifurcated Western Hemisphere? Will new global institutions be needed to deal with such issues as energy, the environment, and migration? Which countries will make up the new G-3 or G-4, which will have to provide leadership for a world economy in such flux?

As a result of all these problems, our Board member and former USTR Carla Hills suggests that “the Institute is needed more today than ever before.” Trustee Marina Whitman has added that “the Institute would have to be invented if it did not already exist.”

In reviewing the Institute’s record to date in 1991, Craufurd Goodwin concluded that “It will be difficult for the Institute to have a second decade that is more successful than the first.” We believe that we overcame such doubts and that the Institute is now well positioned to respond to the challenges that it will face over its next quarter century. We are widely regarded as having the best team of economists at any think tank, covering virtually all global economic issues and most parts of the world. We are the economics institution most widely cited by the quality media and have been called “the most influential think tank on the planet.” Our experienced leadership and research team remains in place. Our building is a joy to work in and to share with our many guests. Our Board has decided that we will expand where necessary to add expertise on the relatively few topics that we

are not now equipped to address but we will remain “lean and mean.” The new capital campaign has raised about \$50 million and roughly quadrupled our capital fund, greatly strengthening the Institute’s financial base.

Even more importantly, we believe that we have devised and developed a model for operating a policy-relevant think tank that works. We will continue trying to identify issues that will define the global agenda of the future and prepare analyses and recommend responses to address them. We will make every effort to convey our ideas effectively to policymakers and the policy community more broadly and to seek support for these suggestions. Former Secretary Summers said recently that “The only prediction I’ll make about the Institute is that it will be visible, it will be provocative, and it will be paid attention to.”

We fully recognize, however, that we, like the world economy itself, must continually adapt and improve our performance. We must continually bring fresh ideas and people into our programs and further increase our productivity. New techniques of disseminating our results will become essential as the electronic age continues to evolve. We may want to expand our collaborative endeavors with think tanks in other countries, such as BRUEGEL in Europe and especially in rapidly emerging economies such as China, India, and Korea. In light of the increasingly pervasive effects of globalization, especially in the United States, it may become necessary for us to address broader public audiences as well as policymakers and those who shape policy directly. The world is far from resolving its economic problems and we at the Institute must steadily enhance our own contribution if we are to even approach achievement of the very ambitious goals that we set out to fulfill a quarter century ago.

Those of us who created and nurtured the Institute over these past 25 years thus look both backward and forward with a balance of eager anticipation

and a degree of trepidation. We take enormous pride in what we have achieved and face the coming years with great confidence in our ability to contribute constructively to the policy debates that lie ahead. At the same time, we observe the continuation, indeed the deepening, of many of the problems we have addresses throughout this period and the emergence of important new challenges. Hence it is all too clear that our efforts and our effectiveness must be increased much further if our ultimate goals of achieving a more prosperous and more harmonious international economic system are to be realized.

Our objective in the future is to make even greater contributions to understanding the coming global economic problems, and to fashioning effective responses to them, than we did throughout our first quarter century. Our Board, management, and staff are dedicated to that objective. We express our deep appreciation to all those who have enabled us to move from institutional infancy through adolescence to young adulthood over the past 25 years. We ask for your continued, indeed increased, help as we progress to greater maturity and hopefully an enhanced contribution to society, both in the United States and around the world.

“WE TAKE ENORMOUS PRIDE IN WHAT WE HAVE ACHIEVED AND FACE THE COMING YEARS WITH GREAT CONFIDENCE IN OUR ABILITY TO CONTRIBUTE CONSTRUCTIVELY TO THE POLICY DEBATES THAT LIE AHEAD.”

¹ C. Fred Bergsten, *The Future of the International Economic Order: An Agenda for Research* (Lexington, MA: D.C. Heath and Company, 1973).

² Susanne Trimbath, “Think Tanks: Who’s Hot and Who’s Not,” *The International Economy* (summer 2005).

³ Dani Rodrik, *Has Globalization Gone Too Far?* (Washington: Institute for International Economics, 1997).

⁴ Laura D’Andrea Tyson, *Who’s Bashing Whom? Trade Conflict in High Technology Industries* (Washington: Institute for International Economics, 1992).

⁵ Richard N. Cooper, *Living with Global Imbalances: A Contrarian View*, International Economics Policy Brief 05-3 (Washington: Institute for International Economics, November 2005).

⁶ This meeting took place four days before the tragic events of 9/11. On 9/11 itself, the Institute was scheduled to host a major statement on trade policy by US Trade Representative Robert Zoellick. That event was rescheduled and held on September 24, at which time Ambassador Zoellick described the strategy that would lead, in less than two months, to the launching of the Doha Round of global trade negotiations in the WTO—motivated largely by the need to display global solidarity as a result of 9/11 itself. In response to the events of 9/11, the Institute has conducted two major projects on the Middle East that are described below.

⁷ David Wessel of the *Wall Street Journal* has recently observed that “It seems weird to say that a building or beautiful artwork make a difference but they do factor into your impressions. It gives an image of a place that is successful and is going to be around a while.” Former Deputy Secretary of the Treasury and Under Secretary of State Stuart Eizenstat opined at a recent Institute event that “This building is to international economics what the House that Ruth Built [Yankee Stadium] was to baseball.”

⁸ David Wessel of the *Wall Street Journal* captured the essence of the Institute’s internal dynamics in noting recently that “there are so many people here, and they are so competitive, and they all want to be in the *Wall Street Journal*, and they all want to say that really pithy thing that becomes the staple of Washington conversation, that they are always looking for that counter-conventional wisdom thing, that little insight that someone says, wow I never really thought about that.” When preparing a comprehensive analysis of the Institute’s management agenda in 1996, Reynold Levy observed that “for most insiders, the Institute formula is so good as to be patentable.”

⁹ Martin Walker, “Economic Guru Gives Clinton Global Warning,” *The London Observer*,

June 9, 1996. Similar judgments have been expressed by other journalists who watch these issues closely: Already in 1988 *Business Week* opined that “Just seven years after its founding, [the Institute] has emerged as Washington’s most influential think tank on the hot current issues of world economics;” the *Wall Street Journal* has called the Institute “one of Washington’s most influential think tanks [whose] studies often frame the intellectual debate on trade and technology issues”; the *Washington Post* has labeled us “Washington’s premier think tank on the global economy”; and Martin Wolf in the *Financial Times* has recently praised us as “without any doubt the preeminent organization in the world operating outside government and outside universities...in analysis of international economic problems.”

¹⁰ William R. Cline, *International Debt and the Stability of the World Economy* (Washington: Institute for International Economics, September 1983); William R. Cline, *International Debt: Systemic Risk and Policy Response* (Washington: Institute for International Economics, 1984); and C. Fred Bergsten, William R. Cline, and John Williamson, *Bank Lending to Developing Countries: The Policy Alternatives* (Washington: Institute for International Economics, April 1985).

¹¹ Stephen Marris, *Deficits and the Dollar: The World Economy at Risk* (Washington: Institute for International Economics, 1985, revised 1987). Hobart Rowen also wrote in the *Washington Post* that his “projections for the dollar slide were uncannily accurate.”

¹² Ranging from Catherine L. Mann’s *Is the U.S. Trade Deficit Sustainable?* in 1999 to William R. Cline’s *The United States as a Debtor Nation* in 2005.

¹³ Edward M. Graham and Paul Krugman, *Foreign Direct Investment in the United States* (Washington: Institute for International Economics, 1989, revised 1991 and 1995).

¹⁴ Edward M. Graham and David Marchick, *US National Security and Foreign Direct Investment* (Washington: Institute for International Economics, 2006). The Institute has also done extensive work on outward direct investment from the United States; see especially Edward M. Graham, *Global Corporations and National Governments* (Washington: Institute for International Economics, 1996) and Edward M. Graham, *Fighting the Wrong Enemy: Antiglobal Activists and Multinational Enterprises* (Washington: Institute for International Economics, 2000).

¹⁵ John Williamson, *Latin American Adjustment: How Much Has Happened?* (Washington: Institute for International Economics, 1990).

¹⁶ C. Fred Bergsten, *Competitive Liberalization and Global Free Trade: A Vision for the 21st Century*, Working Paper No. 96-15 (Washington: Institute for International Economics,

1996); C. Fred Bergsten, Globalizing Free Trade, *Foreign Affairs* (May/June 1996). The translation of the original idea into practice is traced in Simon T. Evenett and Michael Meier, “An Interim Assessment of the U.S. Trade Policy of ‘Competitive Liberalization,’” July 2006.

¹⁷ Catherine L. Mann, *Globalization of IT Services and White Collar Jobs: The Next Wave of Productivity Growth*, International Economics Policy Brief 03-11 (Washington: Institute for International Economics, December 2003); Catherine L. Mann, *Accelerating the Globalization of America: The Role for Information Technology* (with Jacob Funk Kirkegaard) (Washington: Institute for International Economics, 2006).

¹⁸ C. Fred Bergsten and William R. Cline, *The United States-Japan Economic Problem* (Washington: Institute for International Economics, 1985, revised January 1987).

¹⁹ Gary Clyde Hufbauer and Jeffrey J. Schott, *NAFTA: An Assessment*, revised edition (Washington: Institute for International Economics, 1993). The *Journal of Economic Literature* noted that “like many previous Institute studies...[this book] succeeded in playing a pivotal role in the debate.”

²⁰ J. David Richardson and Karin Rindal, *Why Exports Really Matter!* (Washington: Institute for International Economics, 1995); J. David Richardson and Karin Rindal, *Why Exports Matter More!* (Washington: Institute for International Economics, 1996).

²¹ Scott C. Bradford, Paul L. E. Grieco, and Gary Clyde Hufbauer, The Payoff to America from Global Integration, in *The United States and the World Economy: Foreign Economic Policy for the Next Decade*, C. Fred Bergsten and the Institute for International Economics (Washington: Institute for International Economics, 2005).

²² C. Fred Bergsten and John Williamson, Exchange Rates and Trade Policy, in *Trade Policy in the 1980s*, ed. William R. Cline (Washington: Institute for International Economics, 1983); and John Williamson, *The Exchange Rate System* (Washington: Institute for International Economics, 1983). More recently, especially in *Exchange Rate Regimes for Emerging Markets: Reviving the Intermediate Option*, (Washington: Institute for International Economics, 2000), Williamson and the Institute more broadly led the reaction, now widely accepted, against the “corner solution” under which the IMF was at the time advising countries that their exchange rates must either float freely or peg rigidly.

²³ J. David Richardson, *Sizing Up U.S. Export Disincentives* (Washington: Institute for International Economics, 1993).

²⁴ Morris Goldstein, *The Case for an International Banking Standard*, Policy Analyses in International Economics 47 (Washington: Institute for International Economics, April 1997).

The Institute made a number of contributions to resolving the Asian crisis during that period which Eizenstat, who was a high US government official at the time, has characterized as “the Institute’s finest hour.”

²⁵ Lori Kletzer and Robert E. Litan, *A Prescription to Relieve Worker Anxiety*, International Economics Policy Brief 01-2 (Washington: Institute for International Economics, March 2001); Lori Kletzer, *Job Loss From Imports: Measuring the Costs* (Washington: Institute for International Economics, 2001).

²⁶ Gary Clyde Hufbauer and Kimberly Elliott, *Measuring the Costs of Protection in the United States* (Washington: Institute for International Economics, 1994).

²⁷ Gary Clyde Hufbauer and Erika Wada, *Steel Quotas: A Rigged Lottery*. International Economics Policy Brief 99-5 (Washington: Institute for International Economics, June 1999).

²⁸ Nicolas Ruble, “Think Tanks: Who’s Hot and Who’s Not,” *The International Economy* (September/October 2000). Adam Posen, “Think Tanks: Who’s Hot and Who’s Not II,” *The International Economy* (Fall 2002). Susanne Trimbath, “Think Tanks: Who’s Hot and Who’s Not,” *The International Economy* (Summer 2005).

²⁹ David Wessel of the *Wall Street Journal* recently observed that a reporter “may find himself in this awkward situation where you’re quoting three people and all of them are at the Institute. So you identify one as being a former Federal Reserve official, or another being a former IMF official, to prevent your editors from saying, what the heck, can’t you find anybody but the Institute for International Economics?” Paul Blustein of the *Washington Post* adds that “This place has a fantastic staff of people who are tops in their field and really know how to explain issues in ways that are meaningful to readers of newspapers like mine.”

³⁰ Senator Baucus has recently noted that “when I’m trying to work through drafting legislation, I go to the Institute for help.” He notes in particular that “The Institute helped bring about a very solid basis and foundation for many in government to start thinking positively about China.” Another Congressman, interviewed by Craufurd Goodwin during his review of the Institute in 1991, concurred that the Institute “has contributed directly to the structure of legislation and indirectly to congressional thinking on a wide range of topics.”

³¹ Suman Bery, “The Market for Ideas,” Opinion and Analysis, *Business Standard*, September 12, 2006.

“There is no better example of . . . the contribution that . . . our think tanks [make to] our public policy process . . . than the Institute for International Economics.”

—Lawrence Summers, former Secretary of the Treasury and President of Harvard University

“The Institute is needed more today than ever before.”

—Carla Hills, former US Trade Representative

“Washington’s premier think tank on the global economy. Over the past two decades, its researchers have repeatedly demonstrated an uncanny ability to anticipate emerging issues in their analyses and their provocative policy prescriptions.”

—*The Washington Post*

“One of the things that has always astounded me about [the Institute] is they always have a book coming out about the subject that you just realized was important.”

—David Wessel, *Wall Street Journal*

“Fred Bergsten, backed by the quality of the people at the Institute, has managed to create that fine blend of publications that are both extremely timely and policy-relevant and also of a very high quality.”

—Robert B. Zoellick, former US Trade Representative

“There is no institute anywhere in the world . . . that comes close to having the breadth and depth that the Institute for International Economics has in its devotion to international economic studies all over the world.”

—Stuart Eizenstat, former Deputy Secretary of the Treasury and Undersecretary of State

“The Institute for International Economics [is] one of the most successful centers for policy research in the world.”

—Rockefeller Brothers Fund

“I go to the Institute before I go anywhere else because [it] is on the cutting edge.”

—Democrat Max Baucus, former Chairman of the Senate Finance Committee

“[T]he Institute’s work has a credibility that is second to none.”

—Representative Phil English (R-PA)

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