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INTERNATIONAL RELATIONS AND U.S. FOREIGN POLICY

REPORTS

2008 COUNTRY REPORTS ON HUMAN RIGHTS PRACTICES

Bureau of Democracy, Human Rights, and Labor, U.S. Department of State. February 25, 2009.

<http://www.state.gov/g/drl/rls/hrrpt/2008/index.htm>

This report is submitted to the Congress by the Department of State in compliance with Sections 116(d) and 502B(b) of the Foreign Assistance Act of 1961 (FAA), as amended. The law provides that the Secretary of State shall transmit to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate "a full and complete report regarding the status of internationally recognized human rights, within the meaning of subsection (A) in countries that receive assistance under this part, and (B) in all other foreign countries which are members of the United Nations and which are not otherwise the subject of a human rights report under this Act." "These congressionally mandated reports describe the performance in 2008 of governments across the globe in putting into practice their international commitments on human rights. The year just ended was characterized by three trends: a growing worldwide demand for greater personal and political freedom, governmental efforts to push back on those freedoms, and further confirmation that human rights flourish best in participatory democracies with vibrant civil societies."

CLOSING THE GUANTANAMO DETENTION CENTER: LEGAL ISSUES

Garcia, Michael John, et. al. Congressional Research Service, Library of Congress. January 22, 2009 [PDF format, 40 pages]

http://assets.opencrs.com/rpts/R40139_20090122.pdf

This report provides an overview of major legal issues likely to arise as a result of executive and legislative action to close the Guantanamo detention facility. It discusses legal issues related to the transfer or release of Guantanamo detainees (either to a foreign country or into the United States), the continued detention of such persons in the United States, and the possible removal of persons brought to the United States. The report also discusses selected constitutional issues that may arise in the criminal prosecution of detainees, emphasizing the procedural and substantive protections that are utilized in different adjudicatory forums (i.e., federal civilian courts, courtmartial proceedings, and military

commissions). Issues discussed include detainees' right to a speedy trial, the prohibition against prosecution under ex post facto laws, and limitations upon the admissibility of hearsay and secret evidence in criminal cases. *Michael John Garcia is a legislative attorney at CRS.*

ALLIANCE REBORN: AN ATLANTIC COMPACT FOR THE 21ST CENTURY – THE WASHINGTON NATO PROJECT

Hamilton, Daniel, et. al. Atlantic Council of the United States; Center for Strategic and International Studies (CSIS); Center for Technology and National Security Policy, National Defense University; Center for Transatlantic Relations, Johns Hopkins University's Paul H. Nitze School of Advanced International Studies. February 2009 [PDF format, 69 pages]
http://www.csis.org/media/csis/pubs/090130_nato_draft_final.pdf

This new report by four Washington think tanks calls for a reinvigorated Atlantic partnership to tackle global challenges and urgent shifts in NATO strategy in Afghanistan and relations with Russia. It proposes that NATO rebalance its "home and away missions;" restructure its military capabilities and command arrangements; adjust decision-making, spending and management practices; and develop a fuller partnership with the European Union and other institutions. As the Obama administration reviews its plans for Afghanistan and prepares for NATO's 60th Anniversary Summit in April, this report advances concrete policy and defense planning recommendations concerning the Alliance's evolving missions, capabilities, partnerships, and operational practices. It draws on discussions among a wide range of European and North American officials and experts over the past five months. In fall 2008 four U.S. think tanks launched the *Washington NATO Project* to spark debate before and after NATO's 60th anniversary summit in April 2009. The Washington NATO Project seeks to generate new ideas and thinking about the transatlantic community's role in a changing global security environment. *Daniel Hamilton is the Richard von Weizsäcker Professor and Director of the Center for Transatlantic Relations at the Paul H. Nitze School of Advanced International Studies (SAIS), Johns Hopkins University; and Executive Director of the American Consortium on EU Studies.*

REVITALIZING THE TRANSATLANTIC SECURITY PARTNERSHIP: AN AGENDA FOR ACTION

Larrabee, F. Stephen; Lindley-French, Julian. RAND Corporation; Venusberg Group, Bertelsmann Stiftung. February, 2009. [PDF format, 48 pages]
http://www.rand.org/pubs/reprints/2009/RAND_RP1382.pdf

During the course of 2008, the RAND Corporation and the Bertelsmann Foundation's Venusberg Group sponsored a series of U.S.-European discussions examining future security challenges confronting the United States and Europe in the context of the election of a new U.S. president. This report refers to those discussions and seeks to define the substance and parameters of a new security partnership between the United States and Europe as well as to outline an agenda for action for the new partnership. The report details 13 challenges a new transatlantic commitment must address: Afghanistan, Pakistan, Iran, Russia, Asia, proliferation of weapons of mass destruction, Arab-Israeli conflict, terrorism, homeland security, NATO enlargement, global poverty, reforming international institutions, and energy security and climate change. "The transatlantic relationship needs a new mindset based on the premise that a multipolar world is emerging—one that will affect foreign policy options and consequently the ability of Americans and Europeans to shape others. To that end, a new transatlantic security partnership must be crafted that reflects both the new global realities and the political realities in Europe and the United States." *F. Stephen Larrabee holds the Corporate Chair in European Security at RAND. Julian Lindley-French is Professor*

of Military Operational Science, Netherlands Defence Academy, Breda and Senior Associate Fellow at the United Kingdom Defence Academy, Swindon.

EUROPE, THE UNITED STATES, AND MIDDLE EASTERN DEMOCRACY: REPAIRING THE BREACH

Cofman Wittes, Tamara; Young, Richard Young. The Brookings Institution. January 2009 [PDF format, 34 pages]

http://www.brookings.edu/papers/2009/~//media/Files/rc/papers/2009/01_middle_eastern_democracy_wittes/01_middle_eastern_democracy_wittes.pdf

"Tensions between the United States and the European Union since the 2003 war in Iraq affected many arenas of Middle East policy, but perhaps none has come to encapsulate those tensions as much as the quest to advance democracy in the region. This paper looks beyond the highly charged, Iraq-related deterioration in the transatlantic relationship in order to assess the real similarities and differences in the two actors' democracy promotion strategies in the Middle East. The U.S. and European Union disagreed on some notable issues regarding Middle Eastern reform, and serious mistrust developed between them as they developed their post-9/11 diplomacy on this issue. Yet, the substantive divergence in policy is not as great as is now routinely presumed. Both actors made strong commitments to supporting Arab democracy in the wake of 9/11 and articulated an understanding that democratic development in the Arab world was important to the security of Western states. In light of mounting regional security challenges and certain electoral outcomes, such as the victory of Hamas in the January 2006 Palestinian legislative elections, both actors shifted some way back toward realist alliance-building with autocratic Arab regimes. Additionally, both parties have been reluctant to engage with Islamist opposition groups, but have done so in various instances." *Tamara Cofman Wittes is a Senior Fellow in the Saban Center for Middle East Policy at the Brookings Institution and directs the Center's Project on Middle East Democracy and Development. Richard Youngs is Coordinator of the Democratization program at FRIDE. He is also an associate professor at the University of Warwick in the United Kingdom.*

RADICAL ISLAM IN EAST AFRICA

Rabasa, Angel. RAND Corporation. February 2009 [Note: contains copyrighted material] [PDF format, 111 pages]

http://www.rand.org/pubs/monographs/2009/RAND_MG782.pdf

"American geopolitical interests and the potential threats to those interests are both on the rise in East Africa. The author examines the threat represented by the spread of militant Islamism and the development of radical Islamist networks and places them in the broader context of the diverse currents of Islamic practice in East Africa and the social, economic, and political factors that have shaped the region's security environment. He analyzes the complex ethno-religious landscape in East Africa, the characteristics of the East African environment that have produced failed or weak states susceptible to exploitation by extremist groups, and the factors that have contributed to the emergence of these groups. Building sustained national resilience that is intolerant of terrorists and extremists and effective against them, he says, can only be accomplished by linking hard security initiatives with a broader array of policies designed to promote political, social, and economic stability." *Angel Rabasa is a Senior Policy Analyst at RAND Corporation.*

DIPLOMACY AGAINST CONFLICT

Carney, Timothy. Center for Strategic and International Studies. February 2, 2009. [PDF format, 15 pages]

http://www.csis.org/media/isis/pubs/090202_csis_africa_review_diplomacy_prepub_draft.pdf

This is a chapter in the forthcoming CSIS Africa Program report *Africa Policy in the George W. Bush Years: Recommendations for the Obama Administration*. "Violent conflicts in Africa undermine long-standing U.S. foreign policy goals. They destabilize nations and generate human suffering, cripple economic development, and open space for terrorism. Continuing civil wars in Africa, many of which spill over national boundaries, pose special challenges that prevent the United States from achieving its objectives. The new administration of Barack Obama will face a series of conflicts—in the Horn of Africa, Sudan, and the Democratic Republic of Congo (DRC)—that will demand immediate attention and pose tough challenges in conflict resolution. Sustained diplomatic engagement with national leaders and regional organizations, with allies and concerned nations in Europe and Asia, and with the UN Security Council will be essential to forge a stronger multilateral strategy to end or dampen these conflicts." *Ambassador Timothy Carney, a retired career Foreign Service officer, was the last accredited U.S. ambassador to Sudan. His 32-year career included service in areas of conflict from Indochina to South Africa and Haiti, as well as work in UN peacekeeping missions in Cambodia, Somalia, and South Africa.*

UNDERSTANDING IRAN

Green, Jerrold D. et al. RAND Corporation. Web posted January 8, 2009. [Note: contains copyrighted material] [PDF format, 167 pages]
http://www.rand.org/pubs/monographs/2008/RAND_MG771.pdf

This report serves as a guide to help U.S. policymakers understand the Islamic Republic. It offers a set of brief analytical observations about the processes, institutions, networks and actors that define Iran's politics, strategy, economic policy and diplomacy. It also sets out an argument for appreciating the challenges and fundamentals of negotiating with Iran, about which the authors say policymakers place too much emphasis on the country's "abnormal" and "exceptional" characteristics. The study offers nine recommendations, emphasizing that U.S. negotiators need to understand that Iranians have specific, unique negotiating characteristics. *Dr. Jerrold D. Green is President and Chief Executive Officer of the Pacific Council on International Policy. Dr. Green previously served in several leadership positions at RAND, most recently as senior advisor for the Middle East & South Asia. He also serves as Research Professor at the University of Southern California.*

IRAQ, ITS NEIGHBORS, AND THE OBAMA ADMINISTRATION: SYRIAN AND SAUDI PERSPECTIVES

U.S. Institute of Peace; the Stimson Center. February 9, 2009 [Note: contains copyrighted material] [PDF format, 21 pages]
http://www.usip.org/pubs/working_papers/wp8_syria_saudiarabia.pdf

"At this moment of both great potential and great risk—as the U.S. draws down and the Iraqi government attempts to step forward—Iraq's neighbors will play a critical role. All of Iraq's neighbors have a vital stake in what kind of Iraq will emerge. The Arab neighbors in particular have an interest in seeing an inclusive government that will not be beholden to Iran. They do not want Iraq to spiral out of control and be a source of extremism and sectarianism as it has been over the past several years." Since 2004, USIP's "Iraq and its Neighbors" initiative has sponsored track II dialogues and ongoing research on relations between Iraq and its six immediate neighbors. As part of this work, the Institute—in partnership with the Stimson Center—sponsored a bipartisan, independent, and unofficial Study mission to Syria and Saudi Arabia in mid- January 2009. The delegation met with a

wide variety of leading political figures, NGOs and foreign policy experts in both countries, including President Bashar Assad of Syria and Prince Turki al-Faysal of Saudi Arabia. The aim of the mission was to explore prospects for greater regional cooperation on Iraq; to understand how U.S. policies are perceived, and to assess regional expectations of the Iraqi government and the new American administration.

SECURING AFGHANISTAN: GETTING ON TRACK

Fair, C. Christine; Jones, Seth G. U.S. Institute of Peace. Web posted February 17, 2009 [PDF format, 42 pages]

<http://library.usip.org/articles/1012068.1022/1.PDF>

"More than seven years after U.S. forces entered Afghanistan, important gains made in bringing stability and democracy to Afghanistan are imperiled. While there have been some positive developments in such areas as economic growth, the Taliban and other insurgent groups have gained some ground in the country and in neighboring Pakistan, the drug trade remains a significant problem, and corruption has worsened in the Afghan government." This working paper examines the security environment, assesses the programs put in place to address these threats, identifies existing gaps, and offers possible solutions. It does not provide a comprehensive overview of all security programs or programs in other areas, such as the economy and health. But it briefly examines some of the most important security programs, especially ones that concentrate on building Afghan capacity. In addition, it focuses on U.S. assistance, though it does note the activities of other countries and international organizations. *C. Christine Fair is a Senior Political Scientist with the RAND Corporation. Prior to rejoining RAND, she served as a political officer to the United Nations Assistance Mission to Afghanistan in Kabul. Seth G. Jones is a Senior Political Scientist at RAND and an Adjunct Professor at Georgetown University's Edmund A. Walsh School of Foreign Service.*

EURASIAN ENERGY SECURITY

Mankoff, Jeffrey. Council on Foreign Relations. [Council Special Report #43] February 2009. [PDF format, 66 pages]

http://www.cfr.org/content/publications/attachments/Eurasia_CSR43.pdf

"A cutoff of supplies connected in part to a pricing dispute between Russia and Ukraine, the crucial transit country for much of Russia's gas, left millions of Europeans without heat and forced factories to close. The crisis not only underscored the challenges of managing U.S. and European relations with Russia, a country whose geopolitical reach rises and falls to some extent with the price of oil and gas. It also highlighted the difficulty for America's European allies of breaking their dependence on a single energy supplier, one whose willingness and ability to provide sufficient gas over time is uncertain. This Council Special Report looks at Russia's rise as an energy power, analyzing its control of supplies and delivery systems and its investments in energy infrastructure across Europe, as well as questions about the potential of its production. The report also examines Europe's difficulties in forging a common policy on energy supply and recommends a two-pronged strategy of integration and diversification. It urges Europe to integrate both internally—developing a single EU gas market—and externally—tying Russia's energy sector to Europe and its more transparent regulations. It also recommends that Europe seek new sources of energy from both non-Russian suppliers and non-fossil fuels." *Jeffrey Mankoff is associate director of International Security Studies at Yale University and adjunct fellow for Russia studies at the Council on Foreign Relations (CFR).*

REVERSING THE DECLINE: AN AGENDA FOR U.S.-RUSSIAN RELATIONS IN 2009

Pifer, Steven. The Brookings Institution [Foreign Policy Paper Series #10] January 2009 [PDF format, 38 pages]

http://www.brookings.edu/~media/Files/rc/papers/2009/01_us_russia_relations_pifer/01_us_russia_relations_pifer.pdf

"This paper reviews how U.S.-Russian relations went off course. It looks at what Moscow wants. It offers policy recommendations for the Obama administration and concludes with suggestions on tactics and a notional calendar for engaging Russia in 2009... Securing Russian help in controlling nuclear materials, pressuring Iran not to acquire nuclear arms, and countering international terrorism is very much in the U.S. interest. Getting Russia right, however, will require a carefully considered, focused and sustained Russia policy, not just treating Russia as a function of the U.S. approach to other issues. Washington should seek to put U.S.-Russian relations on a more solid footing. The Obama administration should aim for a balance in its approach toward Russia, making clear the unacceptability of Russian actions that violate international norms while encouraging cooperation and integration that will make Russia a stakeholder in existing international institutions." *Steven Pifer is a visiting fellow in the Center on the United States and Europe at the Brookings Institution. A retired Foreign Service officer, Pifer served more than 25 years with the U.S. State Department.*

A FRESH LOOK AT GLOBAL GOVERNANCE: EXPLORING OBJECTIVE CRITERIA FOR REPRESENTATION

Rueda-Sabater, Enrique. et al. Center for Global Development. February 2009 [HTML format with link to the PDF file]

<http://www.cgdev.org/content/publications/detail/1421065/>

"The geopolitical world of the 21st century is very different than that of the post-World War II era. In this new world order, what constitutes a system of global governance? We argue that it has to balance *representation*, which is made credible by the inclusion of key parts of the global community, and *effectiveness*, which means involving as small a number of actors as possible while having access to the resources—and clout—to turn decisions/intentions into action/results. The authors propose simple, fundamental criteria, based on global shares of GDP and population, around which global governance might be organized. They analyze the role that these criteria would assign to different countries and compare the results with key components of the system currently in place in the Bretton Woods institutions and the United Nations. They also examine the implications for membership in the G-20 and the OECD." *Enrique Rueda-Sabater is Director of Strategy and Risk Management at the World Bank.*

FOREIGN AID: AN INTRODUCTION TO U.S. PROGRAMS AND POLICY

Tarnoff, Curt; Lawson, Marian L. Congressional Research Service, Library of Congress. February 10, 2009 [PDF format, 39 pages]

http://assets.opencrs.com/rpts/R40213_20090210.pdf

"U.S. foreign aid is a fundamental component of the international affairs budget and is viewed by many as an essential instrument of U.S. foreign policy. Each year, it is the subject of extensive congressional debate and legislative and executive branch initiatives, proposing changes in the size, composition, and purpose of the program. The focus of U.S. foreign aid policy has been transformed since the terrorist attacks of September 11, 2001. In 2002, a National Security Strategy for the first time established global development as a third pillar of U.S. national security, along with defense and diplomacy. This report addresses a number of the more frequently asked queries regarding the U.S. foreign aid

program, its objectives, costs, organization, the role of Congress, and how it compares to those of other aid donors. In particular, the discussion attempts not only to present a current snapshot of American foreign assistance, but also to illustrate the extent to which this instrument of U.S. foreign policy has changed from past practices, especially since the end of the Cold War and the launching of the war on terror." *Curt Tarnoff is a specialist in Foreign Affairs and Marian L. Lawson a specialist in Foreign Assistance, both at the Congressional Research Service.*

ARTICLES

MAJOR FOREIGN POLICY CHALLENGES FOR THE NEXT US PRESIDENT

Brzezinski, Zbigniew. *International Affairs*. January 2009, pp.53-60.

http://www.chathamhouse.org.uk/files/13106_85_1brzezinski.pdf

"The resulting international challenge that now confronts the new US President is compounded in its complexity by the fact that it is occurring in the context of two simultaneous, and interacting, transformational developments on the world political scene. The first concerns the emergence of global issues pertaining to human well-being as critical worldwide political concerns—issues such as climate, environment, starvation, health and social inequality. These issues are becoming more contentious because they have come to the fore in the context of what I have described in my writings as 'the global political awakening', itself a truly transformative event on the global scene. The second pertains to yet another fundamental change: a shift in the distribution of global power from the West to the East. The 500-year-long domination of the world by the Atlantic powers—Portugal, Spain, France, the Netherlands, Britain and, more recently, the United States—is coming to an end with the new political and global pre-eminence of both China and Japan." *Dr. Zbigniew Brzezinski is a CSIS counselor and trustee and cochairs the CSIS Advisory Board. He is also the Robert E. Osgood Professor of American Foreign Policy at the School of Advanced International Studies, Johns Hopkins University, in Washington, D.C. From 1977 to 1981, Dr. Brzezinski was national security adviser to President Carter.*

A CONCERT-BALANCE STRATEGY FOR A MULTIPOLAR WORLD

Lind, Michael. *Parameters*. Autumn 2008, pp.48-60.

<http://www.carlisle.army.mil/usawc/Parameters/08autumn/lind.htm>

"The United States is a superpower in search of a strategy. Following the end of the Cold War, no new grand strategy has won the bipartisan support that underpinned America's strategy of containment from President Truman to President Reagan. Enthusiastic promoters of globalization occasionally argue that international trade will be a panacea for conflict, at least among developed nations. The neoconservative vision of unilateral US global hegemony always lacked adequate military forces and funding to realize its ambitious goals. Now, in the aftermath of the Iraq War, the hegemony strategy also lacks public support. Most critics of the hegemony strategy, however, have failed to propose a credible alternative capable of guiding US national security... The concert-balance strategy represents the best national security strategy for the United States in an era of emerging multipolarity and domestic budget constraints. It abandons the exorbitantly expensive and ultimately doomed attempt to forever forestall the emergence of other great powers by means of dissuasion of potential foes and reassurance of friends, in order to realistically prepare for the US role as a leader of concerts and alliances in a multipolar world." *Michael Lind, the Whitehead Senior Fellow at the New America Foundation, is the author of The American Way of Strategy.*

HEMISPHERIC SECURITY: A NEW APPROACH

Cope, John A.; Mora, Frank O. *Current History*. February 2009, pp. 65-71.

"Many experts in the United States and Latin America believe that Washington has not paid sufficient attention to the Americas in recent years. They warn that this indifference may prove costly at a time when the region is undergoing political, social, and economic transformations. The United States generally has sought to promote a democratic and prosperous hemisphere as a safe and secure environment for itself and its neighbors. It is important that the multidimensional nature of the security threats facing the hemisphere, and their implications for US policy, be clearly understood. The combination of globalization, social inequality, ineffective democratic governance, transnational criminal networks, and other trends has transformed the security environment. Many Latin American and Caribbean nations today are less dependent on the United States than they once were. Given all this, the contemporary context for US engagement with its neighbors demands a new strategic approach to security relations based on greater trust and effective partnerships." *John A. Cope is a senior research fellow at the Institute for National Strategic Studies at the US National Defense University (NDU). Frank O. Mora is a professor of national security strategy at NDU's National War College.*

A NEW ADMINISTRATION AND THE UN

Schlesinger, Stephen. *World Policy Journal*. Winter 2008/2009, pp. 109-114.

"Among the innumerable issues the Obama administration in Washington will have to deal with—very rapidly—is the question of how to engage with the globe's most important security organization, the United Nations. As a much-maligned body under the Bush Administration, the UN has only recently come back into the American public purview as the go-to outfit for security matters. Nonetheless, it seems that this is an appropriate time to take a fresh look at how new leadership in the White House might think about reconnecting with the UN in the coming years—both to help restore American leadership around the world and to reinvigorate this institution as the globe's foremost peacemaking enterprise." *Stephen Schlesinger is an adjunct fellow at the Century Foundation and the former director of the World Policy Institute.*

DEFENSE MANAGEMENT CHALLENGES FOR THE NEXT AMERICAN PRESIDENT

Carter, Ashton B. *Orbis*. January 2009, pp. 41-53.

"The next American president will face a daunting list of national security problems, including a serious defense budget crunch. The budget crisis will be deepened by the global financial crisis, a tapering of supplemental funding associated with the wars in Iraq and Afghanistan, and the steady growth of military healthcare and other personnel costs. After six years of rapid defense budget increases, the Pentagon has lost the practice of matching strategy and resources. The next president will need to manage risk among investments in irregular warfare, counterterrorism, balancing new super powers, countering weapons of mass destruction, and traditional warfare. He will also need to begin to build non-military "soft power" capabilities outside of the Pentagon." *Ashton B. Carter is chair of the International and Global Affairs faculty at Harvard Kennedy School. He was Assistant Secretary of Defense for International Security Policy in the Clinton administration.*

THE ASCENSION

R. Nicholas Burns. *National Interest*. January/February 2009.

<http://www.nationalinterest.org/Article.aspx?id=20488>

"The creation of Barack Obama's legacy will play out against three fundamental backdrops: America's financial crisis; the ability to shore up the power of the United States; and the willingness of Joe Q. Public to spend blood and treasure beyond our borders. Obama faces tasks no less significant than the crises of the 1930s. He faces the most difficult and daunting set of domestic- and foreign-policy challenges since at least Franklin D. Roosevelt's own inauguration in 1933. When the postmortems are written on his presidency four to eight years from now, will he have succeeded in constructing, as Woodrow Wilson and FDR before him, a new U.S.-led global order to meet the complex challenges of our time? Or, will America retrace the fate of the British Empire of a century ago and begin a long, gradual slide from world power? Obama faces no less of a test than this: Can America once again reinvent both its future and the international system and thus change history itself?" *R. Nicholas Burns is Professor of the Practice of Diplomacy and International Politics at the John F. Kennedy School of Government at Harvard University.*

THE REPUBLIC AND THE RAHBAR

Sick, Gary. *National Interest*. January/February 2009, pp. 10-20.
<http://www.nationalinterest.org/Article.aspx?id=20482>

The author writes that Iran is not the most dangerous or pressing problem the Obama administration faces in the Persian Gulf region. Iran's ascendancy in recent years was largely an "unearned gift" from the U.S. dispersal of the Taliban in Afghanistan and the overthrow of Saddam Hussein in Iraq. He notes that the Tehran regime is a "largely unpopular and dysfunctional government headed by a firebrand populist president with limited power," and is driven with competing factions. The Iranian economy is in a shambles, with inflation running at an annual rate of 25 percent and widespread unemployment, and a government committed to massive domestic subsidies. Sick argues that Iran's ability to project military power outside its borders is overrated, although its internal defenses are impressive. He believes that the new administration's softening of the U.S. stance toward Iran would be recognized by the Tehran regime as an offer to move away from the current antagonism. *Gary Sick is a senior research scholar and an adjunct professor of international affairs at the Middle East Institute of Columbia University's School of International and Public Affairs.*

CHALLENGES TO PERSIAN GULF SECURITY: HOW SHOULD THE UNITED STATES RESPOND?

Yaphe, Judith. *Strategic Forum*. November 2008, pp. 1-8.
<http://www.ndu.edu/inss/Strforum/SF237/SF237.pdf>

"The author asserts that Persian Gulf security challenges will increasingly pose difficult choices for the next administration. Iran's quest for regional preeminence, driven by deeply ingrained impulses of exceptionalism and self-sufficiency, will not slacken any time soon. Seeing such preeminence as its historic prerogative, Tehran still seeks a military posture, including nuclear capability, that matches that vision. The U.S. faces three challenges in the Gulf; the toughest challenge by far is whether to engage Iran and, if so, how. The risks of doing so are not trivial, but there is also common ground to be claimed, especially on achieving a stable Iraq. The second is what posture to take on reform within the Gulf states. Internal pressures for reform are growing, yet a heavy-handed approach can trigger local cynicism of U.S. motives and charges of double standards. The third challenge is how to build cooperation between the Gulf states and Iraq. Strengthening borders and redeveloping economic and security linkages can be a positive start for better relations, but lingering suspicions will be hard to overcome." *Judith Yaphe, Distinguished Research Fellow at the Institute for National Strategic Studies, National Defense University.*

U.S. ENGAGEMENT IN EAST ASIA: A CASE FOR 'TRACK TWO' DIPLOMACY

Graham, Sarah; Kelley, John. *Orbis*. January, 2009, pp. 80-98.

"Using diplomatic instruments effectively will prove increasingly decisive as Washington recalibrates its foreign policy in light of the changing balance of power and new political dynamics of Northeast Asia. While the United States maintains unquestionable military primacy in the region, it is increasingly evident that its counterparts do not wish to remain junior partners in managing regional affairs. The new regionalism developing in Northeast Asia portends closer cooperation between the United States and its regional allies in addressing the need for regional security, sustained prosperity and political reform in conjunction with China. This article assesses the prospects for Washington to improve its relations with China through the mechanism of 'track two' diplomacy. First, we expand on the track two concept by examining its main components and functions with illustrative examples. We extend the existing conceptualization of track two beyond its traditional conflict resolution functions and develop an account of it as a mechanism for policy coordination and the reorientation of regional dynamics from conflict to cooperation. Second, we identify major areas of U.S. interest in Northeast Asia and show how track two diplomacy might usefully be pursued within these contexts. Our analysis culminates with recommendations on how the United States should apply track two strategies in its relations with China." *Sarah Graham teaches at the Department of International Relations, University of Southern California. John Kelley is an assistant professor at the School of International Service, American University, and a fellow of the Transatlantic Project of LSE IDEAS at the London School of Economics.*

POWER AND INTERESTS AT THE INTERNATIONAL CRIMINAL COURT

Hawkins, Darren. *SAIS Review of International Affairs*. Summer/Fall 2008, pp. 107-119.
http://www.muse.uq.edu.au/journals/sais_review/v028/28.2.hawkins.pdf

According to Hawkins, the ICC should probably best turn its attention to training judges in developing countries with a weak institution of the rule of law. More effective and less costly ways exist to pursue justice in any single country than those used by the ICC, which lacks the money and force to arrest suspects and try them. According to the author, the U.S. experience with the ICC has focused on punishing the mostly small countries that cooperated with the court; the United States would do better to press this listless organization into the service of countries struggling with or transitioning to democracy. *Darren Hawkins is associate professor of political science at Brigham Young University.*

HUMANITARIAN DILEMMAS

Zachary, G. Pascal. *Wilson Quarterly*. Summer 2008, pp. 44-51.
http://www.wilsoncenter.org/index.cfm?fuseaction=wq.essay&essay_id=478160

The moral necessity of humanitarian action seems no longer self-evident, suggests Zachary. Many believe that humanitarianism is facing a full-blown identity crisis as a result of nearly two decades of rapid growth in the humanitarian enterprise. According to Zachary's research, after the crackup of humanitarian efforts in the Rwandan crisis, where humanitarian aid actually prolonged the suffering in the refugee camps, the demand for humanitarian assistance called for more robust, self-critical and efficiency-minded humanitarianism. Good intentions are no longer sufficient to meet the demands today, says Zachary -- "even as they confront the tension between their traditional mission to do good and the need to think about all manner of unintended consequences, humanitarians are also

weighing a third element: tackling the root causes of humanitarian crises, and delivering the sort of aid that might provide durable 'insurance' against them." *Pascal G. Zachary is former foreign correspondent for the Wall Street Journal and a consultant on African issues to the Bill & Melinda Gates Foundation.*

THE THINK TANK INDEX

McGann, James. Foreign Policy. January/February 2009

http://www.foreignpolicy.com/story/cms.php?story_id=4598&page=0

"There are some 5,500 think tanks worldwide, in nearly 170 countries. Some organizations specialize in security; others in the environment. Some are intensely partisan; others fiercely independent. Some have budgets in the tens of millions of dollars; others are one-person operations. Some are already changing the world with their big ideas; others merely aspire to. Until now, there has been no guide to this rapidly growing global industry. The Think Tank Index is the first comprehensive ranking of the world's top think tanks, based on a worldwide survey of hundreds of scholars and experts. Think of it as an insider's guide to the competitive marketplace for ideas that matter." *James McGann is assistant director of the international relations program at the University of Pennsylvania and director of the Think Tanks and Civil Societies Program.*

U.S. DOMESTIC POLICY AND TRENDS

REPORTS

BUDGET OF THE UNITED STATES GOVERNMENT FISCAL YEAR 2010

U.S. Office of Management and Budget, The White House. February 2009 [HTML format with link to PDF files]

<http://www.whitehouse.gov/omb/budget/>

This is the full text of the Budget of the U.S. government, "A New Era of Responsibility". "The Budget includes a bold commitment to improving our health care system and reforming it so that it no longer is a weight on our economy. Recognizing how critical it is to tackle climate change as well as the immense opportunity that investments in clean energy technology present to our economy, the Budget invests in this promising sector. Finally, the Budget reflects how important it is that we keep our people safe and keep America leading in the world, with investments in our armed services and international capabilities. This Budget also reflects the belief that Americans deserve a government that is open, honest, and accountable. New transparency and program integrity initiatives will be started that will open the doors of the Government to the public and help make sure that taxpayer dollars are spent wisely and carefully."

THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

The United States Congress. February 16, 2009.

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h1enr.pdf

On Thursday, February 12, 2009, the Conference Committee for the American Recovery and Reinvestment Act of 2009 produced a Conference Report, reconciling the House and Senate versions of the bill. This is the final text of the legislation as the President signed it.

WHITE HOUSE RELEASES STATE BY STATE NUMBERS; AMERICAN RECOVERY AND REINVESTMENT ACT TO SAVE OR CREATE 3.5 MILLION JOBS

The White House. February 17, 2009.

http://www.whitehouse.gov/the_press_office/White-House-Releases-State-by-State-Numbers-American-Recovery-and-Reinvestment-Act-to-Save-or-Crete-35-Million-Jobs/

Below are links to tables and fact sheets outlining the impact of the American Recovery and Reinvestment Act. The estimates are derived from an analysis of the overall employment impact of the American Recovery and Reinvestment Act conducted by Christina Romer, Chair of the Council of Economic Advisers, and Jared Bernstein, Chief Economist for the Vice President, and detailed estimates of the working age population, employment, and industrial composition of each state.

HOMEOWNER AFFORDABILITY AND STABILITY PLAN FACT SHEET

U.S. Department of the Treasury. February 19, 2009.

<http://www.ustreas.gov/news/index2.html>

The Homeowner Affordability and Stability Plan is part of the President Obama's broad, comprehensive strategy to get the economy back on track. The plan will help up to 7 to 9 million families restructure or refinance their mortgages to avoid foreclosure. In doing so, the plan not only helps responsible homeowners on the verge of defaulting, but prevents neighborhoods and communities from being pulled over the edge too, as defaults and foreclosures contribute to falling home values, failing local businesses, and lost jobs.

THE ECONOMIC CRISIS AND THE FISCAL CRISIS: 2009 AND BEYOND

Gale, William G; Auerbach, Alan J. Urban Institute. February 19, 2009 [PDF format, 29 pages]

http://www.brookings.edu/~media/Files/rc/papers/2009/0219_fiscal_future_gale/0219_fiscal_future_gale.pdf

"This paper discusses the impact of recent tumultuous economic events and policy interventions on the Federal fiscal picture for the immediate future and for the longer run. In 2009, the federal deficit will be larger as a share of the economy than at any time since World War II. The current deficit is due in part to economic weakness and the stimulus, and in part to policy choices made in the past. What is more troubling is that, under what we view as optimistic assumptions, the deficit is projected to average at least \$1 trillion per year for the 10 years after 2009, even if the economy returns to full employment and the stimulus package is allowed to expire in two years." *William G. Gale is vice president and director of the Economic Studies Program at the Brookings Institution. Alan J. Auerbach is Robert D. Burch Professor of Economics and Law, University of California, Berkeley.*

PERFORMANCE 2009: PRODUCTIVITY, EMPLOYMENT, AND GROWTH IN THE WORLD'S ECONOMIES

The Conference Board. January 22, 2009 [PDF format, 20 pages]

http://www.conference-board.org/pdf_free/Productivity2009.pdf

"The United States, on the back of significant job cuts, and emerging countries—notably China and Russia—that maintained productivity strength in 2008 made positive contributions to global productivity. Productivity, which is measured as output per hour, in the United States increased to 1.7 percent in 2008, compared to 0.9 percent in Japan and 0.2 percent in the European Union. For the seven largest emerging economies (China, India, Brazil, Mexico, Korea, Russia, and Turkey), productivity growth slowed as well, but

maintained its strength at, on average, 5.4 percent in 2008. Due to the global recession, the momentum for productivity growth will weaken further in 2009. However, because of the relatively strong productivity performance of the U.S. business sector during the years before the current recession, many companies are set for a strong recovery if markets pick up again during the latter half of 2009 or, as expected, in 2010. Innovation remains a crucial trigger to sustain growth beyond the recovery, but it requires continued investment in capital and labor, which is a big challenge in the current economic environment."

CAUSES OF THE FINANCIAL CRISIS

Jickling, Mark. Congressional Research Service, Library of Congress. Web posted February 11, 2009 [PDF format, 10 pages]

http://www.taxpayer.net/user_uploads/file/Reports/CRS/1-29-09%20CRS%20Causes%20of%20the%20Financial%20Crisis.pdf

"The current financial crisis began in August 2007, when financial stability replaced inflation as the Federal Reserve's chief concern. The roots of the crisis go back much further, and there are various views on the fundamental causes. It is generally accepted that credit standards in U.S. mortgage lending were relaxed in the early 2000s, and that rising rates of delinquency and foreclosures delivered a sharp shock to a range of U.S. financial institutions. While some may insist that there is a single cause, and thus a simple remedy, the sheer number of causal factors that have been identified tends to suggest that the current financial situation is not yet fully understood in its full complexity." *Mark Jickling is an specialist in Financial Economics at the Congressional Research Service.*

OBAMA'S JOB CREATION PROMISE: A MODEST PROPOSAL TO GUARANTEE THAT HE MEETS AND EXCEEDS EXPECTATIONS

Levy Economics Institute of Bard College. January 2009 [PDF format, 7 pages]

http://www.levy.org/pubs/pn_09_01.pdf

"Job creation is once again at the forefront of policy action, and for advocates of pro-employment policies, President Obama's Keynesian bent is a most welcome change. However, there are concerns that Obama's plan simply does not go far enough, and that a large-scale public investment program may face shortages of skilled labor, put upward pressure on wages, and leave women and minorities behind. Both concerns can be addressed by a simple amendment to the Obama plan that will bring important additional benefits, suggest the report."

U.S. METRO ECONOMIES: THE ENGINES OF ECONOMIC RECOVERY.

U.S. Conference of Mayors; Council for the New American City. January 2009 [Note: contains copyrighted material] [PDF format, 19 pages]

<http://usmayors.org/77thWinterMeeting/documents/usmer-report-200901.pdf>

In this report the authors examine the state and fate of metro economies as we begin 2009, and discuss factors policy makers should consider as recovery plans relate to metro economies. The report concludes that the Recovery and Reinvestment plan can best achieve its goal of jump-starting the economy and setting the stage for strong future economic expansion by explicitly targeting metro areas. The key findings include: unemployment will rise in metro areas in 2009, shrinking GDP, growing unemployment nationwide, regional impacts, metro areas are essential to national economic recovery. "The recession of 2008-2009 will be among the deepest on record. Dramatic action by the federal government is required to halt the losses and re-invigorate the economy. Metro economies need to be at the center of the recovery. Job losses and unemployment are rising sharply across the

nation's metro areas. Moreover, too many of them have failed to achieve healthy economic growth at all this decade."

GREEN POWER SUPERHIGHWAYS: BUILDING A PATH TO AMERICA'S CLEAN ENERGY FUTURE

American Wind Energy Association; Solar Energy Industries Association. February 2009 [PDF format, 28 pages]

<http://seia.org/galleries/pdf/GreenPowerSuperhighways.pdf>

"The United States is home to vast quantities of clean energy resources – wind, solar, geothermal, and hydropower. Yet it lacks a modern interstate transmission grid to deliver carbon-free electricity to customers in highly populated areas of the country. President Obama has called for the United States to double the production of renewable energy in three years and to secure 25 percent of its electricity from renewable resources by 2025. Achieving this will require a cohesive effort from local, state, and federal officials and significant new investment in our transmission infrastructure. This paper will highlight the barriers that hinder investment in transmission infrastructure and identify potential policy solutions to overcome those barriers."

IMMIGRANTS AND THE CURRENT ECONOMIC CRISIS: RESEARCH EVIDENCE, POLICY CHALLENGES, AND IMPLICATIONS

Papademetriou, Demetrios G.; Terrazas, Aaron. Migration Policy Institute. January 2009 [Note: contains copyrighted material] [PDF format, 35 pages]

http://www.migrationpolicy.org/pubs/lmi_recessionJan09.pdf

The report finds that the recession may produce differing results for legal and illegal immigration flows. It cites a growing body of evidence suggesting there has been a measurable slowdown in the historic growth of immigration in the United States, largely because there has been no significant growth in the unauthorized immigrant population since 2006. The report examines the effects of the economic crisis and factors such as immigration enforcement on the immigrant population already in the United States.

Demetrios G. Papademetriou is the president of the Migration Policy Institute. Aaron Terrazas is a research assistant at the Migration Policy Institute, where he focuses on US immigrant integration policy.

CENSUS BUREAU DATA SHOW CHARACTERISTICS OF THE U.S. FOREIGN-BORN POPULATION

U.S. Census Bureau. February 19, 2009 [HTML format, various paging]

http://www.census.gov/Press-Release/www/releases/archives/american_community_survey_acs/013308.html

According to the analysis of data about the U.S. foreign-born population, a higher percentage of people born in India have a bachelor's degree or higher (74 percent) than people born in any other foreign country. Egypt and Nigeria had rates above 60 percent. Meanwhile, among the nation's foreign-born, Somalis and Kenyans living in the United States are the most likely to be newcomers, and Somalis are among the youngest and poorest. Mexico tops the country of birth list with more than 11.7 million people. The next highest countries by birth include China (1.9 million), the Philippines (1.7 million), India (1.5 million), El Salvador and Vietnam (both at 1.1 million), and Korea (1 million). Cuba, Canada and the Dominican Republic round out the top 10 countries of birth.

ARTS & THE ECONOMY: USING ARTS AND CULTURE TO STIMULATE STATE ECONOMIC DEVELOPMENT

National Governors Association. Web posted January 15, 2009 [PDF format, 44 pages]
<http://www.nga.org/Files/pdf/0901ARTSANDECONOMY.PDF>

"Arts and culture are important to state economies. Arts and culture-related industries, also known as "creative industries," provide direct economic benefits to states and communities: They create jobs, attract investments, generate tax revenues, and stimulate local economies through tourism and consumer purchases. These industries also provide an array of other benefits, such as infusing other industries with creative insight for their products and services and preparing workers to participate in the contemporary workforce. In addition, because they enhance quality of life, the arts and culture are an important complement to community development, enriching local amenities and attracting young professionals to an area. Governors increasingly recognize the importance of the creative sector to their states' economy and ability to compete in the global marketplace. This report offers insights and examples from states across the country to help governors incorporate the arts and culture into state economic development strategies. In particular, this report provides governors with tips on how to understand and measure their creative industries, develop plans to capitalize on the benefits of those industries, and provide support that helps sustain the contributions of the arts and culture sector."

VOLUNTEERING IN THE UNITED STATES, 2008

Bureau of Labor Statistics, U.S. Department of Labor. January 2009 [HTML format, various paging]
<http://www.bls.gov/news.release/volun.nr0.htm>

"About 61.8 million people, or 26.4 percent of the population, volunteered through or for an organization at least once between September 2007 and September 2008. Both the level and rate of volunteering were essentially unchanged from the prior year. Persons age 35 to 44 continued to be the most likely to volunteer (31.3 percent), while persons in their early twenties were the least likely (18.6 percent). The only age group with a significant change over the year was 16- to 19-year-olds. The volunteer rate of this group rose 1.4 percentage points in the year ending September 2008, essentially offsetting the 1.9 percentage point decrease that occurred in the prior year."

ARTICLES

LINCOLN'S CONTESTED LEGACY

Kunhardt III, Philip B. *Smithsonian*. February 2009.

<http://www.smithsonianmag.com/history-archaeology/Lincolns-Contested-Legacy.html>

"Lincoln will always remain the president who helped destroy slavery and preserved the Union. With stubbornness, caution and an exquisite sense of timing, he engaged almost physically with unfolding history. Derided by some as an opportunist, he was in fact an artist, responding to events as he himself changed over time, allowing himself to grow into a true reformer. Misjudged as a mere jokester, incompetent, unserious, he was in fact the most serious actor on the political stage. He was politically shrewd, and he took a long view of history. And he knew when to strike to obtain his ends. Just for his work on behalf of the 13th Amendment, which abolished slavery in the United States, he has earned a permanent place in the history of human freedom." *Philip B. Kunhardt III is co-author of the 2008 book Looking for Lincoln and a Bard Center Fellow.*

THE WIRED PRESIDENCY: CAN OBAMA REALLY REBOOT THE WHITE HOUSE?

Ratliff, Evan. *Wired*. February 2009.

http://www.wired.com/politics/onlinerights/magazine/17-02/ff_obama

"According to Andrew Rasiej and Micah Sifry, cofounders of the Personal Democracy Forum and the blog TechPresident, Obama had four times the number of Facebook supporters, 24 times the Twitter devotees, and three times the visitors to his site in the final campaign week. The public watched about 15 million hours of Obama campaign videos on YouTube. Along the way, Obama collected 13 million email addresses, more than a million cell phone numbers, and a half-billion dollars in online donations. There's also another reason to expect a tech-driven presidency: Obama promised it. He said he would expand government transparency by putting more data up on the Web, streaming meetings live, and letting the public comment on most legislation for five days before he signs it. He said he would bring blogs, wikis, and social networking tools with him into the executive branch—all overseen by a new national chief technology officer. But turning his innovative campaign and transition into Government 2.0 won't be easy. The nimble Obama startup is about to be absorbed into a stodgy, technologically backward behemoth: the federal government. Ahead are bureaucratic obstacles the campaign never imagined, along with the political land mines that transparency brings. Obama will have to preserve the enthusiasm of his supporters while engaging the larger group of people who either didn't vote for him or didn't vote at all. His task is to rebuild the personal connection that supporters felt they had with Obama the candidate, assuring them that he is listening to them. If he can do that, Obama can alter how the government engages its citizenry and accomplish what he really cares about: his own policy goals."

AGENCIES STRUGGLING TO MAKE CONNECTIONS ONLINE

Herbert, David. *National Journal*. February 2, 2009.

http://www.nationaljournal.com/njonline/no_20090126_4207.php

"President Obama wants government agencies to be more transparent and communicate more with their audiences online. Many agencies have been using social-networking media long before Obama's directives, but with little success, the author says. Bureaucratic inefficiency and outdated and inflexible laws are partially to blame, Herbert writes, but "the biggest problem facing most agencies isn't the trap of outdated regulations but the failure to attract an audience." The article examines how web managers need to think about how to use Web 2.0 tools, not just to use them for the sake of using them. It also examines how the successful government social networking sites are the ones that allow an open discussion. "

A SEE-THROUGH SOCIETY

Sifry, Micah. *Columbia Journalism Review*. January/February 2009, pp. 43-48.

http://www.cjr.org/transparency/a_see-through_society.php

"The public reaction to the Congressional emergency bailout legislation in September 2008 was overwhelming; an unprecedented number of e-mails crashed the House of Representatives web site, and several independent web sites that track Congressional activity were swamped. That explosion of public engagement online, Sifry says, signals "the beginning of a new age of political transparency. As more people go online to find, create, and share vital political information with one another, and as the tools for analyzing data and connecting people become more powerful and easier to use, politics and governance alike are inexorably becoming more open. Citizens will have more opportunity at all levels of government to take an active part in understanding and participating in the democratic

decisions that affect their lives." City governments are leading the way; the District of Columbia, for example, since 2006 has put online all the raw data it has collected on government operations, education, health care, crime, and other topics on the CapStat online service. The new Obama administration has expressed a commitment to expanding government transparency with online databases."

FACING FACTS ABOUT IMMIGRATION

Skerry, Peter. *The American Interest*. February 2009.

<http://www.the-american-interest.com/ai2/article.cfm?id=560&Mid=24>

In this article the author examines two aspects of the debate over immigration: its economic and social impacts on U.S. society and its implications for counterterrorism and national security. "Immigration has always been a difficult and contentious issue. It combines technical complexity with emotionally charged concerns about national identity, ethnicity, and race. Narrow, well-organized business interests have much at stake in the formulation of immigration policy, but the mass of ordinary, unorganized Americans is also deeply invested in this intensely symbolic issue. No wonder, then, that immigration does not play out along typical partisan and interest-group fault-lines." *Peter Skerry is professor of political science at Boston College.*

IMMIGRATION: THE REFORM MOVEMENT REBUILDS

Baldwin, Joyce. *Carnegie Reporter*. Fall 2008.

<http://www.carnegie.org/reporter/17/immigration/index.html>

"An estimated twelve million undocumented immigrants live within the U.S. and about 300,000 people join their ranks annually, making it increasingly urgent to address the issue of immigration in a way that is both legal and compassionate and that provides a path to citizenship, protects workers from exploitation, reunites families and promotes civic participation. Yet fierce and often divisive debate threaded with provocative anti-immigrant rhetoric continues, even though polls show most Americans recognize the need to fix our broken immigration system. Advocates of comprehensive immigration reform have tried unsuccessfully since 2006 to get an immigration bill passed, first by the 109th and then by the 110th Congress. Now these advocates are using the sometimes painful lessons learned from their legislative battles to build alliances on a local and a national level and to bring together disparate voices."

"FRIGHTSIZING" NEWSPAPERS: WHAT DERAILED THE AMERICAN NEWSPAPER INDUSTRY?

Doctor, Ken. *Global Journalist*. Fall 2008, pp. 22-27.

http://www.globaljournalist.org/content/emprint/2008_fall.pdf

The decline of the U.S. newspaper industry has been so dramatic that rather than using terms like "downsizing" or "rightsizing," Doctor coins the term "frightsizing." The news remains glum for those inside the industry, with shrinking advertising revenue and share prices and increased job losses. The transition online has been difficult and newspapers are finding that despite their declining audience, it takes an average of 20 online readers to generate the ad revenue of one print reader. Yet, online news sources are easily stepping in to take their place and newsreaders today spend the same amount of time taking in news as they did a decade ago from print sources. In the current confusing phase of transition, questions of journalistic trustworthiness and credibility have arisen, but so has a newfound energy. "We can't see this new world in great clarity," Doctor concludes, "but we can see its contours." *Ken Doctor, a veteran of the digital news industry, covers the transformation*

of the news media as president of his own company, Content Bridges, and as a news industry analyst for Outsell. His experience includes 21 years with Knight Ridder.

THE BIG FIX

Leonhardt, David. *New York Times Magazine*. February 1, 2009.

<http://www.nytimes.com/2009/02/01/magazine/01Economy-t.html>

The author discusses the biggest challenge for the Obama administration in bringing the economy back to life. The economy will recover, but it is likely to get significantly worse over the course of 2009, no matter what President Obama and the Congress do. Washington will not merely be given the task of pulling the economy out of the crisis, but in putting in on a more sustainable path. Leonhardt notes that private-sector investment in research and infrastructure hasn't changed much since the 1950s, and investment by government has even dropped. Effective stimulus, the center of the present debate in Congress now, means simply spending money quickly. The author notes that "pork", favored projects by legislators for their home districts, will not transform the economy; what will accomplish that is education, which helps a society multiply every other investment it makes, be it in medicine, transportation or alternative energy. Leonhardt notes that the U.S. has significant capacity to expand and sell Treasury debt; without that, the economy would be in even more dire straits. He notes that the norms of the last two decades -- consume before investing, worry about the short term more than the long term -- have been detrimental to our economic standing." *David Leonhardt is an economics columnist for The New York Times.*

RISK MISMANAGEMENT

Nocera, Joe. *New York Times Magazine*. January 4, 2009.

<http://www.nytimes.com/2009/01/04/magazine/04risk-t.html>

Nocera notes that stabilizing the U.S. economy is probably the most important issue the Obama administration will face; the risks taken by the U.S. and European investment firms have threatened to bring down the entire financial system. Many have suggested that the cause of the catastrophe was the widespread institutional reliance on a value-at-risk (VaR) financial model that did not take into account the biggest risk of all -- the possibility of a financial meltdown. This was one of Alan Greenspan's primary excuses when he testified about the financial crisis before Congress in 2008. The late 1980s and the early 1990s were a time when many firms were trying to devise more sophisticated risk models because the world was changing around them. Banks, whose primary role was assessing credit risk, were merging with investment banks, which traded stocks and bonds. Derivatives and securitizations -- pools of mortgages or credit-card loans that were bundled by investment firms and sold to investors -- were becoming an important component of Wall Street activity, but were very difficult to value. Nocera notes that at the height of the bubble, there was so much money to be made that any firm that turned away deals because of misgivings about the risk would miss out on huge short-term gains to less-cautious rivals; all the incentives were on the side of taking on more risk. The fact that VaR didn't measure the possibility of an extreme event was a relief to the heads of investment firms, making such a possibility easy to ignore. *Joe Nocera is a business columnist for The Times and a staff writer for the magazine.*

Information Provided by the Information Resource Center
U.S. Embassy Madrid
<http://www.embusa.es/irc>

Views expressed in the articles are those of the authors and do not necessarily reflect U.S. government policies.