



# BAKER INSTITUTE REPORT

NOTES FROM THE JAMES A. BAKER III INSTITUTE FOR PUBLIC POLICY OF RICE UNIVERSITY

## BAKER INSTITUTE LEADERSHIP PROGRAM TRAINS STUDENTS TO BE STATESMEN AND SCHOLARS

An innovative program at the Baker Institute is providing training for future generations of policy researchers and analysts.

This past summer, eight Rice University undergraduates participated in the Jesse Jones Leadership Center Summer in D.C. Policy Research Internship Program, working with federal government agencies, public policy think tanks, and nongovernmental organizations (NGOs) to examine critical policy issues facing many societies. As with past interns—who have

gone on to become Rhodes and Fulbright scholars among other achievements—they brought their experiences and knowledge back to Houston to give presentations before a group of Baker Institute researchers and Rice faculty in Baker Hall September 2.

"Working for an organization that conducts policy research from an NGO perspective really helped me to understand the connections between the private sector, the government sector, and the NGOs," said Christina Lagos.

Lagos, a senior majoring in policy studies and psychology, examined government policies to address healthcare worker shortages in the developing world and Africa at Debt AIDS Trade Africa (DATA). "It really helped me to understand the application of the theoretical side of policy to a real and practical setting," she said, adding, "Being in the capital is a leadership experience in itself. Even in my job I was among other leaders, and it put

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## IRAQ STUDY GROUP VISITS BAGHDAD



Members of the Iraq Study Group, co-chaired by James A. Baker, III, and Lee H. Hamilton, in Baghdad.

A delegation of the Iraq Study Group (ISG) co-chaired by James A. Baker, III, and Lee H. Hamilton visited Baghdad August 31–September 3 to obtain a firsthand assessment of the situation on the ground in preparation for the ISG's report to the Congress and the Bush administration. They met with U.S. and Iraqi civilian and military officials, Iraqi political and religious leaders, foreign diplomats, the United Nations Secretary-General's representative in Iraq, as well as with members of nongovernmental organizations and the press. In

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# LETTER FROM THE DIRECTOR



The recent fighting in the Levant presents a fundamental challenge for U.S. policy toward the Middle

East—but also an opportunity to move from conflict management to conflict resolution. The United States should seize this moment to transform the cease-fire in the Hezbollah-Israeli conflict into a step toward a comprehensive Arab-Israeli peace settlement. Doing so would facilitate the marginalization of the forces of Islamic radicalism and enhance the prospects for regional security and political, economic, and social progress.

The Hezbollah-Israeli confrontation has further proved what should already have been painfully clear to all: there is no viable military solution to the Arab-Israeli conflict. Even with its military superiority, Israel cannot achieve security by force alone or by unilateral withdrawal from occupied territories. Nor can Hezbollah, Hamas, Palestinian Islamic Jihad, and similar groups destroy Israel. Peace can come only from negotiated agreements that bind both sides....

The extremists in the Muslim world today define the conflict with Israel as an existential one, using terms similar to those prevalent in the region half a century ago. The moderates accept the possibility of a political settlement based on the principle of land for peace; for them, in other words, the issue is

about Israel's borders, not about its existence. Security Council Resolutions 242 and 338 (adopted in 1967 and 1973, respectively) embody this latter approach, and the United States should resume its traditional role of pressing for their implementation.

After the Yom Kippur War, in 1973, President Richard Nixon and Secretary of State Henry Kissinger led the effort to obtain the disengagement agreements between Israel, Syria, and Egypt. In 1979, President Jimmy Carter brought Israeli Prime Minister Menachem Begin and Egyptian President Anwar al-Sadat together to sign the peace treaty between their two countries. In 1991, President George H.W. Bush and Secretary of State James Baker led the effort to bring Israel and all of its immediate Arab neighbors together for the first time in direct negotiations in Madrid. President Clinton presided over the signing of the Oslo accords on the White House lawn in 1993, witnessed the signing of the 1994 peace treaty between Jordan and Israel, and made a major effort toward the end of his term in office that, while it did not lead to a signed agreement, defined the contours of an Israeli-Palestinian settlement. This track record proves that with strong presidential leadership, the United States can be an effective interlocutor between the Arabs and the Israelis.

President George W. Bush should therefore reiterate the vision of a comprehensive Arab-Israeli peace settlement that he

presented in June 2002, including his explicit call for a two-state solution involving a Palestinian state living in peace and security next to the state of Israel, and make it clear that he will work toward that end with the international community for the remainder of his presidency. This could give the parties in the region the political space they need to make the tough decisions and compromises for a negotiated peace. This thorough approach to peace, which would bring all the Arab and Israeli parties together to address the issues on the Palestinian, Lebanese, and Syrian fronts in a parallel manner, could be modeled after the Madrid peace conference of 1991.

All of the key issues in the Middle East—the Arab-Israeli conflict, Iraq, Iran, the need for regionwide political and economic reforms, extremism, and terrorism—are inextricably linked. Nothing short of a comprehensive strategy can solve the problems, marginalize the radicals, and promote the values and interests of the United States and the parties in the region. Washington has waged war in Afghanistan and Iraq. The question now is whether it can muster the political will to wage peace as well.

Edward P. Djerejian

*The director's letter is an excerpt from a forthcoming essay in the November/December 2006 issue of Foreign Affairs magazine, [www.foreignaffairs.org](http://www.foreignaffairs.org).*

# NUSSEIBEH APPOINTED DIANA TAMARI SABBAGH FELLOW IN MIDDLE EASTERN STUDIES

Sari Nusseibeh, president of the Al-Quds University in East Jerusalem, was recently appointed the Diana Tamari Sabbagh Fellow in Middle Eastern Studies at the Baker Institute, and he is working under the auspices of the institute's Conflict Resolution Program.

"Sari Nusseibeh has extensive knowledge of the sensitive issues surrounding the Middle East through his work as a representative of the Palestine Liberation Organization (PLO) and his founding of the People's Voice initiative," said Director Edward Djerejian. "We are fortunate to have his

unique insight as part of the Baker Institute's continually expanding expertise on topical substantive issues."

Nusseibeh will work with Yair Hirschfeld, the Isaac and Mildred Brochstein Fellow in Middle East Peace and Security in Honor of Yitzhak Rabin, and with the Baker Institute's Palestinian Working Group, both at the institute and in the region.

Nusseibeh lives in Abu Dis, a Palestinian village bordering Jerusalem, where he continues to serve as president and professor of Islamic philosophy at Al-Quds,

Jerusalem's Arab university. His presidency there began in 1995.

The son of Palestinian parents and a native of Shaykh Jarrar, East Jerusalem, Nusseibeh has a BA in politics, philosophy, and economics from Christ Church in Oxford and a PhD in Islamic philosophy from Harvard University.

In 1987 Nusseibeh voiced the unconventional suggestion that Palestinians recognize Israel and that Israel annex the occupied territories and give full citizenship to the Palestinians in a single binational state. Some of his com-

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## ISRAELI AMBASSADOR PINPOINTS SYRIA–LEBANON, IRAN, AND THE PA AS CHIEF MIDDLE EAST CHALLENGES

In a speech, "Israel and its Role in a New Middle East," the Israeli ambassador to the United States challenged the conventional view that the Israeli–Palestinian dispute is the crux of the conflict in the Middle East. Speaking to a full house at the Baker Institute September 11, Daniel Ayalon said "to look at the Middle East only through this prism is wrong and erroneous."

He cited the region's much more deeply rooted conflicts, including Iraq's 1990 invasion of Kuwait, Syria's 30-year military presence in Lebanon, and the eight-year war between Iran and Iraq in

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*Daniel Ayalon, Israeli ambassador to the United States, gives his assessment of foreign policy challenges in the Middle East.*

# BAKER INSTITUTE ENERGY FORUM PUBLISHES NEW BOOK

The Baker Institute Energy Forum is proud to announce the culmination of its research efforts on the evolving geopolitics of natural gas through the recent release of a book titled *Natural Gas and Geopolitics: From 1970 to 2040* (Cambridge University Press, 2006). The volume, edited by Amy Myers Jaffe, the institute's Wallace S. Wilson Fellow in Energy Studies, and Stanford University scholars David Victor and Mark Hayes, is a major contribution to the forum's mission to better understand the complex political, cultural, religious, economic, and social forces that influence open access to energy resources and their equitable distribution.

The book, based on a two-year study completed by the Energy Forum and Stanford's Program on Energy and Sustainable Development, provides the first comprehensive analysis of what the shift to natural gas as the key fuel of choice might mean for global energy security in the coming decades. Through advanced economic modeling and historical case studies, the volume outlines how natural gas is likely to become subject to the same geopolitical influences as oil, including the possibility of a GasOPEC. The book includes contributions from Baker Institute fellows Amy Myers Jaffe, Kenneth Medlock, Joe Barnes, Steven Lewis, as well as Baker graduate fellow Stacy Eller. Rice University faculty contributors

include Fred von der Mehden, Peter Hartley, and Ronald Soligo. The research was made possible through the generous support of Ambassador and Mrs. Hushang Ansari, Baker Botts LLP, BP, Shell Exploration and Production Company, the Electric Power Research Institute, and the Baker Institute Energy Forum.

*Natural Gas and Geopolitics: From 1970 to 2040* includes scenario analysis undertaken through the development of an economic model that examines the effects of economic and political influences on the global natural gas market within a framework grounded in geologic data and economic theory. The model, developed by Hartley and Medlock, includes award-winning demand forecasting methods developed by Medlock and Soligo under earlier Baker Institute energy studies.

*Natural Gas and Geopolitics: From 1970 to 2040* outlines the policies that might be needed to prepare for a secure, gas-driven world. In light of Russia's surprising cutoff of natural gas exports via Ukraine this year, the book is a timely addition to energy security literature.

The Energy Forum continues to address the most pressing energy issues facing our world today. Findings from the forum's next significant research policy report, "*The Changing Role of National Oil Companies in International Energy Markets*," are scheduled to be presented at a conference in March

2007. In addition, the Energy Forum is continuing its research into alternative energy, and the institute co-sponsored a major two-day conference, "Biomass to Chemicals and Fuels: Science, Technology and Public Policy," September 25–26, 2006.

## ENERGY FORUM BRIEFS NATION'S LAWMAKERS

This past summer, Amy Myers Jaffe, the institute's Wallace S. Wilson Fellow in Energy Studies, provided testimony at hearings held by the U.S. Senate Committee on Foreign Relations. She spoke on "Russia: Back to the Future" June 29. Also, she testified at the U.S. Senate U.S.–China Economic and Security Review Commission hearings August 4 on "China's Role in the World: Is China a Responsible Stakeholder?" On July 21, Jaffe led an Aspen Institute congressional breakfast on U.S. energy policy, where she outlined new ideas for energy legislation to provide for a more comprehensive U.S. approach. Ongoing Baker Institute research on the "Role of the National Oil Company" was presented to the U.S. National Intelligence Council this spring and summer by Jaffe and Baker Institute Rice scholar Ronald Soligo. To read Jaffe's prepared congressional testimony please visit the following links: <http://www.rice.edu/energy/publications/docs/JaffeTestimony060629.pdf>; and [http://www.uscc.gov/hearings/2006hearings/written\\_testimonies/06\\_08\\_3\\_4wrts/06\\_08\\_3\\_4jaffe\\_amy\\_statement.pdf](http://www.uscc.gov/hearings/2006hearings/written_testimonies/06_08_3_4wrts/06_08_3_4jaffe_amy_statement.pdf).

# BAKER FELLOW TESTIFIES ON REFORMING U.S. BUDGET PROCESS

John Diamond, the Edward A. and Hermena Hancock Kelly Fellow in Tax Policy, testified before the U.S. House Committee on the Budget September 13 on "How Budgetary Choices Affect Work, Saving, and Growth: The Real Purpose of 'Dynamic' Estimating."

The subject of the hearing focused attention on the current U.S. budget forecasting methods, which have not been updated significantly during the last 40 years. Conventional estimating methods assume that macroeconomic aggregates, such as labor supply or investment, are not affected by changes in tax or spending policies and thus provide no information to policymakers about the potential long-term effects of alternative tax and spending proposals.

Some economists are pushing the Joint Committee on Taxation and the Congressional Budget Office, which look at the cost of tax and spending proposals, respectively, to adopt "dynamic scoring." This would allow for macroeconomic effects to be included in revenue estimates and potentially could increase the amount of information available to policymakers.

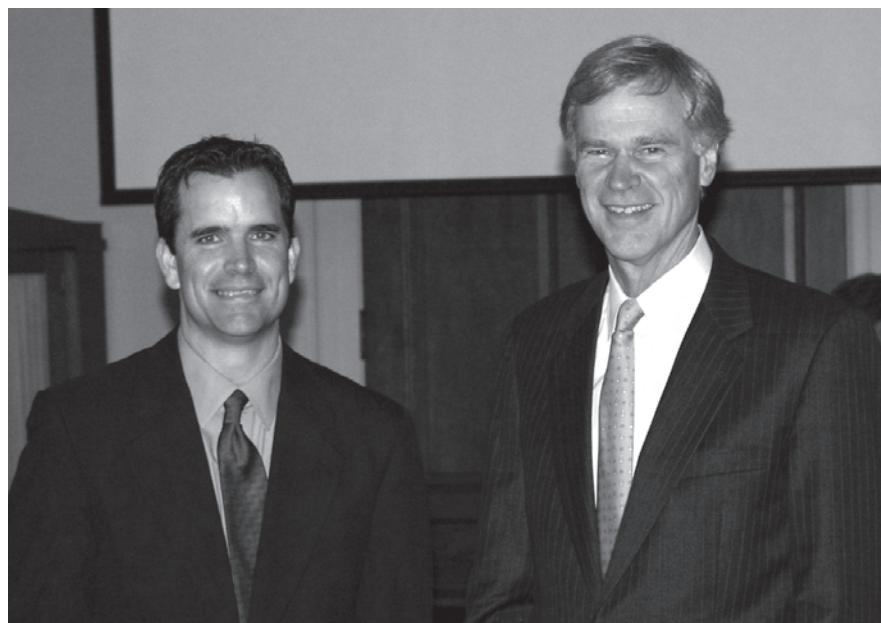
Diamond's testimony addressed issues that are related to the use of dynamic scoring and dynamic analysis in the budget process. Implementing a budget process that allows for the adoption of efficient, fair, and simple tax and spending policies is critical given the fiscal gap facing the nation.

He pointed out that dynamic scoring is a theoretically preferred method to the current budget scor-

ing process; however, many questions remain unanswered about how best to implement a consistent and useful framework that can be used in the official budget scoring process. Given the contentious nature of dynamic scoring, Diamond recommended that a reasonable first step would be to implement dynamic analysis more widely in the policy-making process, since it should be used to analyze and relay information about the macroeconomic effects of tax proposals under either the current budget process or a budget process that includes dynamic scoring.

Diamond offered the following guidelines for implementing dynamic analysis into the policy process:

- Dynamic analysis should focus on comparing the macroeconomic effects of competing provisions as well as presenting information on the aggregate effects of all the provisions.
- Dynamic analysis should also be applied to spending proposals, as the dynamic implications of expenditure policies may be as important as those of tax policies.
- Debt service costs of conventionally scored proposals should be considered in the policy-making process.
- Distributional analyses should also be provided to policymakers both within



*John Diamond with Ander Crenshaw, R-FL, acting chair of the Budget Committee, following Diamond's testimony at the hearing on dynamic estimating on Capitol Hill.*

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# BAKER INSTITUTE HOSTS SPECIAL BRIEFING AND CONVERSATION WITH JAMES A. BAKER, III

On September 12, the Baker Institute hosted “A Special Briefing and Conversation” with the Honorable James A. Baker, III, for upper-level Roundtable members and members of Rice University’s Board of Trustees. The briefing included highlights of his recent trip to Baghdad as co-chair of the Iraq Study Group. Mr. Baker also took follow-up questions from the audience on a variety of subjects.



*Guests enjoy the evening before Mr. Baker's presentation. Clockwise from top right: Steve Miller, James A. Baker, III, and J.D. Bucky Allhouse; F.T. and Melza Barr; Martha and Harold Metts; Courtney and Christopher Sarofim; Raymond Brochstein, Jim Crownover, and Kenneth Oshman.*



# HEALTH ECONOMICS GROUP RECOMMENDS CENTRALIZATION OF COMPLEX CANCER OPERATIONS

The National Cancer Institute (NCI) has funded a two-year follow-up study to be led by Baker Institute research fellow in health economics Vivian Ho, whose group has been studying the treatment of cancer patients in the United States. This new study is based on the results of Ho's earlier study, published in June 2005 and funded by the American Cancer Society, which found that operative mortality rates for six different cancers declined between the late 1980s

and the end of the last decade. Over the same time period, the number of operations performed by hospitals and surgeons for these cancers rose, and the association between more operations and lower cancer death rates was quite significant.

In light of these findings, Ho has recommended the expansion of centralization efforts such as the Leapfrog Group, a coalition of large employers and other health-care purchasers who are encour-

aging patients and employees to seek out high-volume providers. "Patients who are in the unfortunate situation of requiring cancer surgery should ask their surgeons how many operations of the same type they performed in the past year, and how many were performed at that hospital," Ho said. "Some states are even posting this information on their websites, so that the information is readily avail-

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## U.S.–MEXICO BORDER PROJECT ESTABLISHES COLLABORATION WITH BORDER ENERGY FORUM

The U.S.–Mexico Border Project hosted a briefing meeting August 7 at the Baker Institute to announce its participation in the upcoming XIII Border Energy Forum. This year's forum—always held in a border state—will focus on energy and water development in the southwestern United States and northern Mexico. The forum, hosted in partnership with the Texas Land Office and the Houston–Tampico Sister City Association, is scheduled to be held in Tampico, Mexico, October 18–20, 2006.

The forum convenes leaders from industrial, governmental, educational, and environmental organizations to develop cutting-edge strategies that are grounded in realistic economic policy. The forum also has emerged as a

neutral ground to discuss energy-related challenges common to both sides of the border. With a combined and expanding population of more than 70 million, the U.S. and Mexican border states share many problems, as well as opportunities. Energy has emerged as a mutually recognized resource critically needed to drive future growth in the region.

Key issues on this year's agenda include the future of energy policy, water and energy efficiency, border energy infrastructure, financing energy projects, energy production and the environment, and sustainable energy. The forum has always encouraged energy policies that take into account the twin goals of economic development and environmental protection.

Baker Institute fellows in energy

studies Amy Jaffe and Kenneth Medlock are scheduled to speak at the forum, with a particular focus on collaboration in the development of energy infrastructure and resources, including opportunities to develop deepwater supplies of oil and gas in the Gulf of Mexico. Such collaboration could promote regional economic development as well as North American energy security. Eduardo Elizondo, program coordinator for the U.S.–Mexico Border Project, is also assisting in the forum and has announced that the Baker Institute had been selected as the site for the XVI Border Energy Forum to be held in 2009.

U.S. partner agencies for this year's forum, in addition to the

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# PERFECT STORM: HAVE LESSONS FROM KATRINA, RITA BEEN LEARNED?

The ability of Houston—and that of the oil and gas businesses based in the world's energy capital—to withstand a major hurricane such as that which devastated New Orleans was the topic of an August 22 Energy Forum event.

"Oil, Gas and Society: Hurricane Preparations after Katrina," brought together experts on disaster preparedness, academics, journalists, and representatives from energy firms to the Baker Institute.

William King, a managing partner with Linebarger Goggan Blair & Simpson, LLP, focused on Katrina and its immediate successor, Rita, and how to minimize destruction in future storms. King, who served on Texas

Governor Rick Perry's Task Force on Evacuation, Transportation and Logistics, warned that should a storm target Houston directly, there would be 1.5 million people who live in areas that would need to be evacuated—a process that would take 53 hours to complete.

King pointed to four main areas where authorities could improve in case of a significant storm: command and control, fueling, evacuation of people with special needs, and traffic management.

He explained that despite the reforms instituted in the wake of Rita, evacuations will pose unique challenges. While the task force has solved the fueling problem by creating a fuel desk to track gaso-

line stocks, it recommended having wreckers prepositioned on evacuation routes and aid stations, an action that has not yet been implemented. An emergency traffic plan is still being debated.

Kenny Lang, BP's vice president in charge of Gulf of Mexico production, addressed the impact of last year's storms on the oil industry. He said that most deep-water facilities fared surprisingly well under the double-barreled onslaught of Katrina and Rita. Pipelines carrying oil and gas from those platforms, however, suffered extensive damage, causing widespread disruptions in production.

"You can have all this capacity

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## LAW ENFORCEMENT OFFICIALS CONFRONT LOCAL, TRANSNATIONAL THREATS POSED BY CRIMINAL GANGS

Recognizing the law enforcement challenges posed by gangs and their involvement in criminal enterprises, Texas Senator John Cornyn held a meeting with regional law enforcement agencies at the Baker Institute to discuss legislative initiatives related to combating gangs. Joan Neuhaus, the institute's fellow in homeland security and terrorism, coordinated the August 28 meeting.

Traditionally gangs have been thought of as a local law enforcement concern involving juveniles, but this perception defies the current reality. Gang members

are juvenile and adult, and their gangs are not only nationwide, but transnational. They are involved in drug trafficking, weapons trafficking, human smuggling, and other interstate criminal enterprises. The challenge to local law enforcement is the gang members' mobility and ease at establishing new identities.

To deal with these challenges, Senator Cornyn met with representatives of federal, state, and local law enforcement and criminal justice agencies from southeast Texas to discuss possible new initiatives and assistance that could be pro-

vided by Congress. Two primary themes emerged. First, smaller and/or rural agencies need better information-sharing networks with the large metropolitan agencies to help them in assessing the threat that is transiting their communities. Second, in some regions, robust drug intelligence groups may already provide a strong capability in fighting gangs. In such instances, these efforts should be augmented, rather than creating an entirely new structure to duplicate the efforts.

# BAKER INSTITUTE STUDENT FORUM FALL EVENTS

As the 2006-2007 academic year begins, the Baker Institute Student Forum (BISF) has already hosted numerous events and formalized future plans for another informative, productive semester.

The BISF kicked off the fall semester September 5 with its annual Baker Institute Open House. This event showcased the fellows of the institute and the opportunities that the institute offers the Rice University community. In addition, attendees learned about the events and features of the BISF, including how one could become a member and thereby contribute actively to the discussion of public policy on the Rice campus. As in past years, the event connected students with the institute and its initiatives as soon as they arrived on campus.

The open house was followed by another festive installment of BISF Trivia Night September 14. In

this unusually competitive event, participants formed teams and engaged one another in a battle to determine who knew the most (often obscure) facts about public policy, its makers, and the forces that shape it.

The BISF has a number of other events planned to round out the semester. On October 4 (after this article went to press), it was scheduled to host a panel discussion with four analysts from the Central Intelligence Agency (CIA). Discussion was expected, to the extent allowed by their sensitive positions, to include life at the CIA, the nature of their work, and how one can become a member of the U.S. intelligence community. As a celebration of Constitution Day, the BISF planned an October 11 discussion with Rice University president David W. Leebron, drawing upon his knowledge from his previous career as a prominent

legal scholar. Finally, the Student Forum planned to host University of California professor of law John Yoo for the November 3 event, "Interrogation, Torture, or Terror? Moral and Tactical Perspectives." Professor Yoo was expected to address the heated debate over the treatment of prisoners and the limits one ought to place upon the means of gathering sensitive information.

Created in 2002 by a small group of undergraduates, the Student Forum is dedicated to fostering student involvement in public policy. Since its inception, the BISF has created opportunities for undergraduates, students, and all members of the Rice community to interact with distinguished statesmen, journalists, and scholars in the hopes that such interaction can lend a meaningful voice to our country's discourse.

## BAGHDAD

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In addition to the co-chairs, the members of the bipartisan group on the trip included Edmund Meese, former attorney general; William Perry, former secretary of defense; Robert Gates, former director of the Central Intelligence Agency; Leon Panetta, former White House chief of staff; and former senator Chuck Robb. Edward Djerejian, the director of the Baker Institute, accompanied the delegation.

Following the trip, Baker and Hamilton held a news conference September 19 in Washington, D.C., in which they stated that the next three months would be "critical" in determining Iraq's viability. They said that "the government of Iraq must act" and show progress in three key areas: security, national reconciliation, and delivery of basic services to Iraqis.

The purpose of the press conference was to discuss the progress of the group's work, including the recent trip to Baghdad, and they released a list of participants with

whom the group has met, both in Iraq and in the United States, over the past few months. The final report should be ready by the end of the year. It will provide an assessment of the current and prospective situation on the ground in Iraq, its impact on the surrounding region, and the consequences for U.S. interests.

# ENERGY FORUM DISCUSSES THE DEMAND FOR NATURAL GAS IN KEY END-USE SECTORS

On August 17, the Baker Institute Energy Forum hosted a workshop on the demand for natural gas in the industrial and power generation sectors. Institute researchers are conducting an analysis of the demand for gas in these key end-use sectors as part of an ongoing study to examine the long-term relationship between crude oil and natural gas prices. The study, sponsored by McKinsey & Company, is due to be published in early 2007. The workshop provided an opportunity for industry participants and other interested parties to respond to preliminary results and critique the methodology adopted by the institute's team.

Recent developments in the natural gas market have been largely associated with demand for industrial use and for power generation. Developments in these sectors are crucial to understanding the longer-term needs for natural gas imports into North America. While high gas prices have contributed to a decline in industrial demand during the past decade, the tremendous growth in natural gas-fired power generation capacity during the same period has resulted in higher overall demand and contributed to higher prices.

The drivers of demand in these two end-use sectors are critical to the relationship between crude oil and natural gas prices because

the ability to switch between fuels tends to link their prices. The study is investigating the factors that determine fuel-switching decisions of consumers and the resulting relationship between oil and natural gas prices. Moreover, this study aims to understand the complex nature of fuel choice in both the long and short term.

## THE USE OF ECONOMETRICS IN INFORMING PUBLIC POLICYMAKERS

An April 22-23 conference co-sponsored by the Baker Institute on "The Use of Econometrics in Informing Public Policymakers" hosted 24 leading scholars and included 16 presentations of papers under consideration for a special annals issue of the *Journal of Econometrics*. The participants were internationally renowned empirical and applied scholars whose research focuses on the interplay between the development and implementation of sophisticated econometric methodologies and their usefulness in putting forth public policy recommendations.

These papers highlighted new econometric methods and linked them to substantive empirical applications that inform the makers of domestic and international public policy. The papers spoke to policy issues that Jan Tinbergen, the first winner (with Ragnar Frisch) of the Nobel Prize in Economic Sciences, championed during the 20th century. The appeal of his work to a new generation of econometricians in a new millennium is compelling and provided motivation for the topics at the conference.

The topics addressed at the conference included how competition

from private and charter schools impacts the efficiency of public schools; why there is intergenerational persistence in youth labor market histories; how employer-provided health insurance and household labor market decisions are related; what impacts the youth crime decision; and what are the impacts of regional trade agreement effects on foreign domestic investment. Papers and conference information can be found at [http://cohesion.rice.edu/conferences/econometrics/index.cfm?doc\\_id=8618](http://cohesion.rice.edu/conferences/econometrics/index.cfm?doc_id=8618).

# LEADERSHIP

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leadership in a different context."

Leadership training is being emphasized as an important part of undergraduates' overall education at Rice.

"The Baker Institute's Summer in D.C. Policy Research Internship Program is a great example of our efforts to provide a comprehensive set of opportunities as part of the undergraduate experience at Rice," said Rice University president David W. Leebron. "It provides wonderful research experience at government agencies and NGOs in our nation's capital, culminating in the writing and presentation of a policy report. The group seminar helps sharpen the analytical and communication skills necessary to achieve results when working with people who bring diverse perspectives to a problem."

Now in its third year, the program is open to nongraduating Rice undergraduates of all majors and policy research methodologies. It assembles a highly motivated group with a wide range of personal backgrounds and policy interests, including foreign and domestic affairs. In addition to Lagos, the following is a list of the program's current participants, their areas of research, and the organizations where they did their internships.

Kirti Datla, a junior majoring in environmental engineering and policy studies, examined global initiatives to address environmental problems at the Bureau of Oceans and International Environmental and Scientific Affairs of the U.S.



*The Baker Institute's 2006 D.C. interns, following presentations at the institute. Front row, left to right: Kirti Datla, Chris Aresu, Laura Szarmach, Sarah Perelstein, Saira Karim, Christina Lagos, Kathryn Wheat, Vivek Gopalan; back row: Kirstin Matthews, Steven Lewis, Neal Lane, Ronald Soligo.*

## Department of State.

Chris Aresu, a senior majoring in economics and political science, researched congressional debates over funding for America's foreign relations and foreign aid for the Coalition for American Leadership Abroad (COLEAD).

Vivek Gopalan, a senior majoring in history and political science, conducted research on the funding strategies of American public policy think tanks while interning at the Center for American Progress.

Saira Karim, a senior majoring in policy studies and religious studies, assisted fellows of the Middle East Institute in their research on American and Asian energy relations with the Middle East.

Sarah Perelstein, a senior majoring in Asian studies and history, did research on animal welfare laws and the regulation of a globalized fur industry at the Humane Society.

Laura Szarmach, a senior majoring in history, interned at the Advocacy Project where she examined efforts to develop internation-

al networks of local NGOs to alleviate poverty, as well as international and American efforts to combat human trafficking.

Kathryn Wheat, a senior majoring in philosophy, did research on international and domestic funding and regulation of stem cell research at the Office of the Science and Technology Adviser of the U.S. Department of State.

Applications for the summer in D.C. internship program are due at the end of each January. The program is led by Steven Lewis, fellow in Asian studies at the institute, and professor of the practice in humanities at Rice. It is sponsored by a grant from the Houston Endowment, Inc. Additional support has been provided by the Mattel Foundation; the Honorable Edward N. Ney; the Honorable Anne L. Armstrong and Mr. Tobin Armstrong; the Honorable Roy M. Huffington; the Honorable Kenneth Franzheim, II; the Eason-Weinmann Foundation; and the Honorable Peter F. Secchia.

# CHALLENGES

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the 1980s as examples of disputes that he claimed had nothing to do with Israel. “It’s not Israel that screws up the Middle East,” he argued. “There are many, many other root causes.”

Ayalon said he would like to see the Middle East modernized in terms of technological developments and economic benefits. “I believe the creation of a strong middle class in the Arab and Muslim world would be the key,” he said.

Ayalon, who has served as Israel’s top diplomat in Washington since 2002 and has served the last three consecutive Israeli governments, most recently as foreign policy advisor to former Israeli Prime Minister Ariel Sharon, spoke at the Baker Institute under the auspices of its Conflict Resolution Program.

He framed what he sees as the three main challenges in the region: Syria–Lebanon, Iran, and the Palestinians. Ayalon questioned the widely held belief that Hezbollah prevailed in its recent clashes with the Israeli military, calling the outcome a “decisive” victory for Israel. As proof he cited the removal of Hezbollah from the border, the new political structure in Lebanon, and the wide deployment of the Lebanese army.

He reserved his strongest statements for Iran, which he characterized as “the most problematic and the most dangerous issue of our time.” The Israeli diplomat charged that Iran is seeking to

develop nuclear weapons, and given what he called the Iranian government’s “very extreme ideology,” the result could be “the end of world order as we know it.”

“Since the 1930s this is the gravest danger for peace and security ... to the world,” he said.

Ayalon urged a united international effort to confront Iran and suggested a strategy of “political isolation” to undermine the legiti-

In fact, he called it ironic that secret meetings on releasing “a substantial number” of Palestinian prisoners were under way until Palestinian militants seized an Israeli corporal along the Gaza border in June, prompting a large Israeli military incursion in Gaza and bringing those talks to an abrupt end. “It takes two to make peace,” Ayalon said, “and unfortunately only one to make war.”

He was very critical of Hamas, which won Palestinian general elections earlier this year. Hamas has ignored calls by the United States and the European Union to drop its refusal to recognize the Israeli state. “We believe Hamas has to change, or be changed,” the Israeli ambassador said.

Furthermore, Ayalon maintained that Palestinian militants continue to pose a real threat to Israeli civilians. “The only reason we do not have buses exploding in Jerusalem or Tel Aviv or Haifa—anywhere in Israel—on a daily basis is not because they do not try,” he said. “It’s because we stop them.”

Still, Ayalon said he remained hopeful for the region. “The risks are enormous, challenges are great, but not insurmountable,” he said.

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– Daniel Ayalon

macy of its government among Iranians and noted Iran’s already weak economy.

Ayalon acknowledged there are no easy answers to Israel’s relations with the Palestinians. He said Israel is committed to the creation of a viable Palestinian state, but “without security, you cannot negotiate.” He added that Israeli Prime Minister Ehud Olmert is willing to meet Palestinian Authority President Mahmoud Abbas anytime, and without preconditions.

## NUSSEIBEH

*continued from page 3*

ments on the binational state are relevant to ideas being discussed today. His ideas were published in a 1991 book that he co-authored with Mark Heller, *No Trumpets, No Drums: A Two-State Solution of the Israeli-Palestinian Conflict.*

Yasar Arafat appointed Nusseibeh as a PLO representative in Jerusalem in 2001 shortly after Nusseibeh generated debate

among Palestinians by publishing the article "What Next?" in numerous Israeli and Palestinian newspapers. The article recommended that Palestinians give up the right of return to their 1948 homes. Nusseibeh's position with the PLO ended in 2002.

In 2003 Nusseibeh and Israel's former Shin Bet chief Ami Ayalon co-founded the People's Voice, a nonpartisan civil initiative to advance the process of achieving peace between Israel and the

Palestinians. The plan supports a two-state solution based on a return to 1967 borders, with Jerusalem as an open city. Nusseibeh advocated that Palestinian refugees have the right of return only to a demilitarized Palestine and that Jews have the right of return only to Israel. He remains hopeful that the People's Voice plan will complement the political process.

## BUDGET

*continued from page 5*

income groups and across generations for certain policies.

- The extent of the uncertainty contained in a dynamic analysis should be well noted.
- Dynamic analysis should be timely so that it can be used

effectively in the formulation of policy.

- Public disclosure of the process would be imperative.

Diamond argued that if dynamic analysis was used appropriately it could provide useful information about the efficiency and distributional effects (across income and age groups) of alternative tax proposals, and thus would provide

policymakers with more information on how to improve the long-term economic competitiveness of the United States.

Diamond's testimony may be found at the Baker Institute website at <http://bakerinstitute.org>.

## HEALTH

*continued from page 7*

able for patients seeking a provider." Ho also said she believes that enforcement by states of Certificate of Need regulations, such as those for open-heart surgery and organ transplantation, might lead to even lower cancer mortality rates by limiting the number of hospitals performing few cancer operations.

The NCI-funded study will examine the impact of some of these issues.

"Centralization of complex cancer operations may lead to lower in-hospital mortality," Ho said. "But

limiting surgery to fewer providers may also give them greater market power, which could enable them to charge higher prices," she added. "The NCI grant will enable us to weigh the costs (higher hospital prices) and benefits (lives saved) from centralizing complex cancer operations at select high-volume facilities."

In June 2006, Ho completed a three-year term on the Board of Scientific Counselors for the National Center for Health Statistics (NCHS), advising on methods to improve the quality and relevance of data collected on the U.S. population. "The U.S.

population has become much more diverse, and medical technologies are rapidly changing," Ho said. "Finding ways to improve our knowledge of the population's healthcare needs and the effectiveness of healthcare is vital for improving our healthcare system. The NCHS collects detailed information on a range of health issues, including immunization rates, risky teen behavior, obesity, and chronic diseases among the elderly. Providing advice to the NCHS on these efforts was an educational and rewarding experience."

## BORDER

*continued from page 7*

Baker Institute, include the Texas General Land Office, the North American Development Bank, the U.S. Environmental Protection Agency, the U.S. Department of Energy, the U.S. Agency for International Development, the

California Energy Commission, the New Mexico Energy, Minerals and Natural Resources Department, and the Los Alamos National Laboratory.

Mexican partners include the State of Tamaulipas, the Secretary of Energy, the Regulation Commission on Energy, the Energy Commission of Coahuila, the

Energy Department of Electricity and Savings of Chihuahua, the Energy Commission of Nuevo Leon, the Electric Energy Savings Trust, and the National Commission for Energy Savings.

For more information about the Border Energy Forum please visit: [www.glo.state.tx.us/energy/border](http://www.glo.state.tx.us/energy/border).

## STORM

*continued from page 8*

sitting 150 miles offshore," Lang explained. "If you don't have a pipeline you can put it in, we're going to be starving the refineries for production."

The industry, Lang said, has responded by taking a number of steps to deal with future threats. For instance, several deepwater facilities are now equipped with tanker offloading capabilities, which should help keep production online in the event that pipelines are affected. And fiber-optic cables are being installed to maintain communications between the platforms and the mainland.

Lang emphasized that BP and other energy companies have enhanced their systems for assisting their own employees during a storm and thereby facilitating the industry's ability to restore production and get people back to work more quickly than they did during Rita and Katrina. An estimated 65 percent of the Gulf of Mexico's 55,000 offshore workers lived in Katrina's path according to *Platts Oilgram News*, underscoring the importance of the need to efficiently provide help to workers and

their families in order to return people to the platforms and restore production.

The forum's third speaker, Chris Oynes, the regional director of the U.S. Interior Department's Minerals Management Service, noted that only about 1,700 of the roughly 4,000 oil and gas structures in the Gulf are manned. He said that below-the-surface platform facilities fared extremely well so that major redesign is not necessary. King pointed out that energy companies are going to try to secure offshore pipelines with more cement to lessen their chances of being moved during a storm.

Philip Bedient, the Herman and George R. Brown Professor of Civil Engineering at Rice University, brought the issue of flooding and other related hurricane threats back to the local level. He noted that Houston is subject to the greatest intensity and longest duration of severe rainfall on the U.S. mainland, a fact that would only be compounded by the approach of a major hurricane.

To address the problem, Rice University and the Texas Medical Center are cooperating on a flood alert system that can predict areas at greatest danger and allow

authorities to get a jump on issuing evacuation orders. "If you know intensity and duration of rain that falls," Bedient said, "you can then predict impact."

Bedient also outlined a proposed partnership involving academic institutions, government, and private businesses that would form a center to study severe storms. Citing areas of greatest concern, Bedient said, "We need to work hard on small basins and evacuation road inundations. We think flood forecasting in the future and this new center will be a step in the right direction."

The forum was co-sponsored by the Baker Institute and Rice's Energy and Environmental Systems Institute.

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