

AIER

AMERICAN INSTITUTE
for ECONOMIC RESEARCH

Economics for Everyone

2011

Annual Report

Letter from Steven Cunningham

Director of Research and Education

I am happy to report that AIER is on the move. It is growing and vital, and we are hard at work building the organization of the 21st century.

The world and U.S. economies face unprecedented challenges. Through the technologies of the information age, AIER is reaching out to guide a new generation of Americans through the economic malaise. Our mission is still as essential as ever—to provide individual citizens with objective, unbiased research, education, and guidance that enables them to prosper in good times and bad.

This year, we have made enormous strides in advancing AIER's prominence, influence, and growth. This has been a year of investment for the Institute, and investment is the bridge that links the past to the future. It is the way to carry our traditional values and mission to a new generation of Americans.

We have continued our recruiting efforts for top economists, hiring another topflight economist in Shelly X. Liang. We are supporting our research with access to state-of-the-art databases and analysis software. We are re-engaging and expanding the number of visiting fellows from leading universities. We are presenting our findings at public lectures as well as national and international economic conferences. And we're widely confronting misguided analysis of public policy through articles and opinion pieces in the top newspapers, magazines, websites, and radio and television shows. Respect for our work continues to spread.

Our new marketing director, Jon Sylbert, is harnessing this activity to direct individuals back to our website. There, we can establish a more personal relationship with readers and offer direct guidance.

As we build our marketing program, we have begun upgrading our technology infrastructure to support a greater web presence, including web pages, apps, and social media. Print media is waning, and electronic media continues surging forward. To reach the public, we have to increase our digital presence, and we are investing heavily to do so.

Getting people to the website and other social media sites is only the first step. They have to find worthwhile, inviting, accessible content. Marcia Stamell, our creative director, is restructuring and optimizing our publications to work more effectively in a multimedia, digital environment.

Declan Sheehy has joined us as director of development to focus on capturing public interest and website traffic and on converting that attention into long-term relationships and contributions.

A key component of the AIER program is its wholly owned subsidiary, American Investment Services (AIS). Through AIS, we are able to manage individuals' portfolios and offer direct advice on how to better manage investments. We are working more closely than ever with AIS, targeting AIER research to their needs, giving joint presentations, and developing outreach and marketing programs.

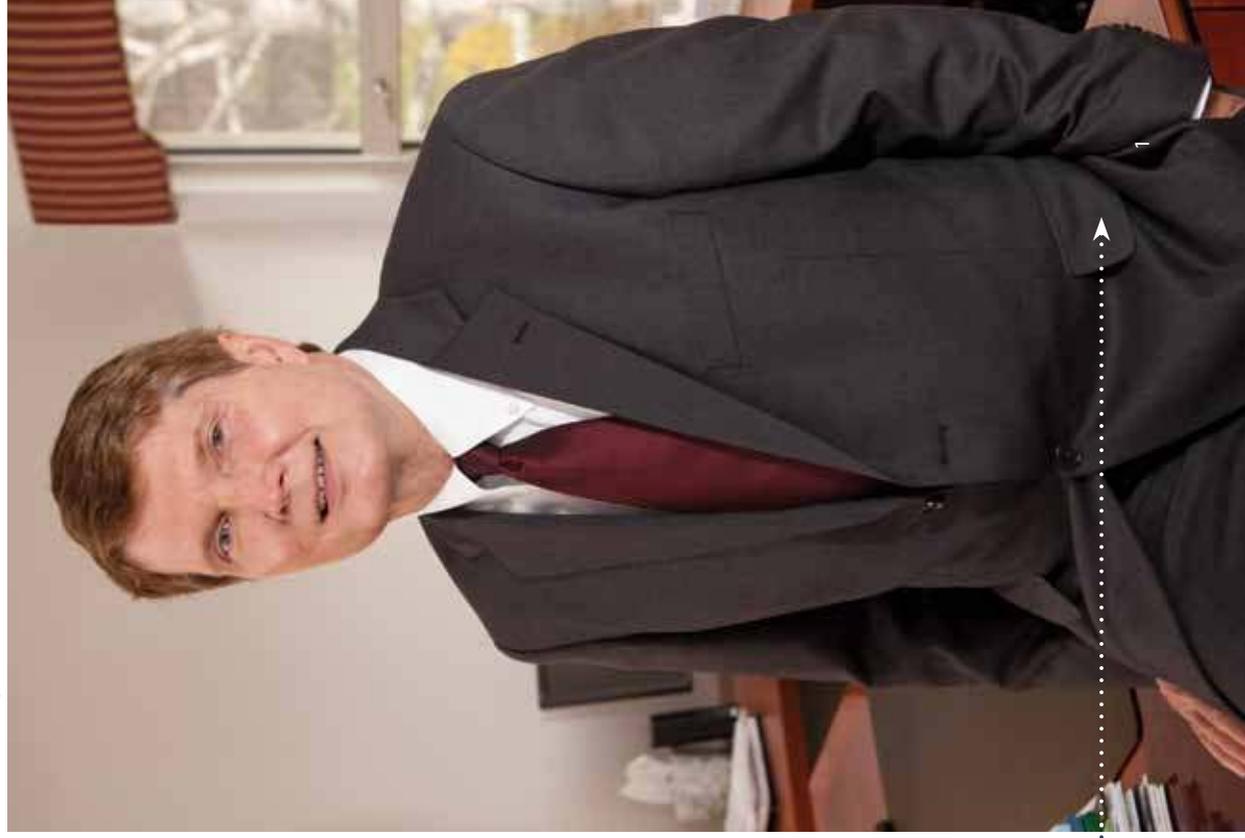
Underlying all this is a solid financial foundation, supported by the contributions of dedicated supporters who believe in what we do.

Sincerely yours,



Steven R. Cunningham
Director of research and education

Steven R. Cunningham





Our Vision

In this increasingly difficult world of big government, global corporations, and international organizations, individuals need a trusted source of information. For nearly 80 years, the American Institute for Economic Research has been that source. We are dedicated to providing people with the analysis and strategies they need to prosper.

From left: David St. Peter, AIS portfolio operations manager; Zinnia Mukherjee, research fellow; Samantha Woodson, librarian; Eric Taylor, graphic designer and web content manager; Gail Roger, director of human resources; Shelly X. Liang, research fellow

Our Values

AIER delivers fact-based, accessible economic research that is free of ideology and independent of outside influences. As a non-profit organization, the Institute represents no fund, concentration of wealth, or special interest. We work for the public and to benefit the private individual.

Research Analyst Julie Ni Zhu and Editor Sarah Todd confer over the latest data.





Our Story

AIER was founded in the middle of the Great Depression by Col. Edward C. Harwood, a West Point graduate who went on to earn an MBA from Rensselaer Polytechnic Institute. In a series of magazine articles in the late 1920s, he predicted the stock market crash of 1929. The magnitude of the Depression impressed upon him the need for an organization committed to accessible fact-based analysis of the economy. He founded the Institute in 1933 in order to produce independent research that would help ordinary Americans lead better lives.

Our Campus

Since the end of World War II, AIER's home has been an exquisite 100-acre campus in the Berkshire Hills of Massachusetts. The Stone House, the Institute's original residence, provides space for special events and accommodations for staff and summer fellows. The E.C. Harwood Library, completed in 1962, is a 20,000-square-foot building that houses office space, an auditorium, and a 25,000-volume circulating library that is open to the public. These facilities allow AIER to sponsor a wide array of activities in support of its mission.

Students and staff dine al fresco on the Stone House terrace.

A Broadening Reach



The Boston Globe

The New York Times

Bloomberg
Businessweek



THE WALL STREET JOURNAL.



In this age of around-the-clock news coverage and an information-based economy, an increasing part of AIER's focus in 2011 has been to move beyond the circulation of its own publications. Our goal is to get substantially into the conversation about economic policy that takes place in newspapers and on radio, television, and the web. In 2011, we had great success.

“Scarcely a day goes by without some AIER expert speaking to the press about our innovative research.”

Particularly encouraging was the quality of the publications that made use of the Institute's expertise. The year saw AIER's research highlighted or cited in 45 of the 100 biggest newspapers.

These included seven of the top 10: *The Boston Globe*, *The Dallas Morning News*, *The New York Times*, *Newsday*, *USA Today*, and *The Wall Street Journal*.

In some publications, AIER research made significant repeat appearances. It was the central focus of articles or commentary in *Barron's* four times during 2011. Institute experts were quoted in the *New York Times* Sunday business section three times.

In addition, every major news service and syndicate used AIER's research in 2011. These are the Associated Press, Dow Jones News Service, McClatchy-Tribune Information Services, New York Times News Service, Reuters, and Scripps Howard News Service.

In the world of broadcast news, AIER's experts were able to reach millions. An AIER expert was interviewed on Fox Business News and the Kudlow Report. Our researchers also were interviewed on the Money Matters Financial Network, Business Talk Radio Network, and on the Home & Family Finance Show on Radio America, which airs on over 400 stations.

We hit the airwaves on radio stations in all of the top 10 metropolitan statistical areas, with the exception of Los Angeles. Our voices also were heard in several of the top 35 MSAs. In all, AIER reached listeners in Atlanta; Austin; Boston; Chicago; Dallas/Fort Worth; Denver; Detroit; Houston; Kansas City; Las Vegas; Miami; New York City; Orlando; Philadelphia; Phoenix; Pittsburgh; Portland; San Francisco; San Jose; Seattle; St. Louis; Tampa/St. Petersburg; and Washington, DC.

Perhaps our greatest media triumph in 2011 was our growing presence on the web. Based on statistics on the number of unique monthly visitors to various websites, AIER's findings and views were made available to 520 million online readers.

AIER twice was asked to contribute commentary to the *New York Times*' popular online forum, "Room for Debate." In one of the debates, an AIER researcher "debated" the U.S. secretary of labor.

Other notable web appearances abound. AIER experts contributed three opinion columns on monetary policy to Forbes.com, a popular financial website with more than 8.8 million viewers each month. We were mentioned in two online articles in *Bloomberg BusinessWeek* and were the subject of an online article in the *Wall Street Journal*. The *WSJ* article went on to be translated and published in the newspaper's Chinese edition.

We were quoted by AOL Money & Finance's DailyFinance.com, CBS MoneyWatch, CNN Money (twice), Dow Jones Newswire, MarketWatch (twice), MSN Money, SmartMoney.com, TheStreet.com, and Yahoo! Finance. An audio interview with an AIER expert was posted to TheStreet.com, a leading provider of financial news, commentary, analysis, ratings, and business and investment content with a monthly audience of 9,000,000.

The media drive continues. Scarcely a day goes by without some AIER expert speaking to the press about our innovative research.

A Visit from the General

Brigadier General Eric Peck was the featured speaker at the 2011 seminar for the Knight-Bagehot Fellows in Economics and Business Journalism. The Knight-Bagehot Fellows are mid-career journalists who are selected to take an all-expenses-paid year off at a program sponsored by Columbia University's Graduate School of Journalism. A visit to AIER has been part of their education since 2009. The 2011 class included reporters from *The Washington Post*, *Forbes*, CNN, and American Public Media's Marketplace.

Gen. Peck is commander of Kansas State Army National Guard and of the Great Plains Joint Training Center in Kansas. He also commanded the first Kansas National Guard Agribusiness Development Team deployed to Afghanistan. He currently oversees the training of National Guard units engaged in development missions in Afghanistan as well as in Africa and Eastern Europe.

His evening presentation at AIER about agribusiness development in Afghanistan was part of two days of seminars conducted by Institute staffers and contributors. The general also recounted the work of the Agribusiness Development Team in a May issue of *Research Reports*, written in association with long-time AIER contributor Lynndee Kemmet, who co-manages the ADT Project with Gen. Peck.



Brigadier General Eric Peck's talk was a high point of the 2011 workshops for the Knight-Bagehot Fellows.

New Book: Seeing Together

In the philosophy of John Dewey, AIER founder Col. E. C. Harwood discovered an intellectual guide to the way he thought economic inquiry should be conducted. A new book published in 2011

offers a fresh take on the principles that have guided AIER researchers for decades.

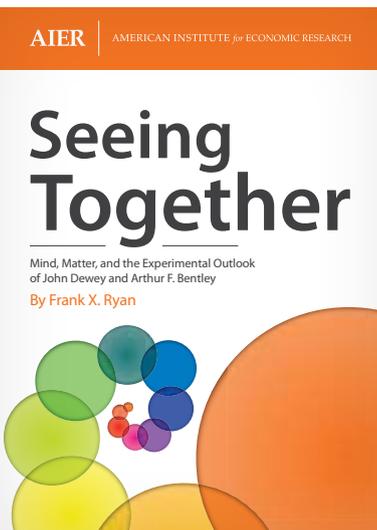
Seeing Together: Mind, Matter, and the Experimental Outlook of John Dewey and Arthur F. Bentley is written by Frank X. Ryan. Frank is an associate professor of philosophy at Kent State University and teaches the methodology course in our summer program. Although written for the general public, his engaging and easy-to-understand narrative will also serve as a text for the course.

The transactional approach developed by Dewey and Bentley has been critical to AIER's evolution. *Seeing Together* shows how this down-to-earth method came into being. It also covers

recent advances in math and economics that have pushed the transactional approach far beyond anything original AIER researchers could have even imagined.

Finally, Frank's interpretations of Dewey's core ideas show how transactions help foster a more open, engaged, and pluralistic society. *Seeing Together* serves AIER's mission to keep the public in the know about the issues that have shaped history and continue to inform policy today.

Math and economics have pushed the transactional approach far beyond anything original AIER researchers could have even imagined.



A New Chairman Takes the Helm

October 21, 2011

Richard W. Brewer, the new chairman of the board of trustees, has worn many hats over the course of his 15-year involvement with AIER. Before he was elected to his current position last fall, he'd been a voting member, a member and chairman of the standing committee, and a trustee. He had also served as a director of American Investment Services, AIER's wholly owned investment subsidiary.

"AIER has a niche where they want to take economic subjects and make them readable and understandable to common people," he says. "There's a real concern about average Americans who need to save money and be responsible citizens—to give them clear and unbiased research."

Dick recently retired from ProMutual Group after 11 years. Before that, he was president and CEO of Arabella Mutual Insurance Company, one the hundred largest property and casualty insurance companies in the U.S. Despite his demanding career, he says that over the years his association with the Institute has brought him much personal satisfaction.

He describes the AIER family as "a very friendly and convivial group of bright and concerned people." He also appreciates the intellectual stimulation that involvement with the Institute provides. "It was this connection to AIER that put me in the presence of economics teachers and professors like [late Columbia professor] C. Lowell Harriss," he says. "To be associated with an economics professor of his caliber was most enriching."

Looking forward, he says, AIER's goal will be to find a wider audience with a diversity that matches the variety of its research. Publications on subjects

from Social Security and personal finances to sound money and property rights make AIER a highly relevant and practical voice. "The need for AIER in our society has always been very important," he says. "Now, more so than ever."

Richard W. Brewer



Officers & Trustees

AIER Officers:

- > Dr. Steven R. Cunningham, acting president and director of research and education
- > Mr. David C. Michaels, chief financial officer and comptroller
- > Mr. J. Eric Smith, secretary to the corporation

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- > Mr. Edward Philip Welker (trustee)

Fresh Faces

AIER's research team welcomed four new members in 2011, as the Institute set the stage to reach a wider and more diverse audience. In concert with this, a full-time fundraiser joined the staff as director of development and outreach.

Shelly X. Liang

research fellow

Shelly X. Liang accepted a position at AIER in November and arrived just after the holidays. Her specialties are in labor economics, applied econometrics, and financial markets. Previously, she held faculty positions in Texas Christian University and the University of Texas at Arlington and worked as an economist for the Virginia government. She received her MS in applied statistics and PhD in economics from Syracuse University.

Zinnia Mukherjee

research fellow

Zinnia Mukherjee has been at AIER since August. She holds a PhD in economics from the University of Connecticut. Her primary interests are applied microeconomics and public economics and public policy. A former visiting assistant professor at Connecticut College, she continues teaching there as a part-time faculty member.

Declan Sheehy

director of development and outreach

This year, AIER created the position of director of development and outreach to improve the fundraising capacity that will help the Institute expand its mission. Declan Sheehy took this job in October. Declan received his diploma and advanced diploma in communications from the Dublin Institute of Technology and holds a certificate in marketing from the Marketing Institute of Ireland. His most recent position was as a financial services professional at New York Life Securities.



New staff are helping expand the Institute's mission. From left: Shelly X. Liang, research fellow; Declan Sheehy, director of research and development; Sarah Todd, editor; Julie Ni Zhu, research analyst; and Zinnia Mukherjee, research fellow.

Sarah Todd

editor

Sarah Todd joined the full-time staff in September, having interned at AIER for the previous two summers. She works on all research publications and has written several articles. A former associate editor with *Tricycle* magazine, Sarah graduated from Pomona College in 2005 and received her MA in English from the University of Oregon last spring.

Julie Ni Zhu

research analyst

Julie Ni Zhu started as an intern in February and was hired as a research analyst in April. She is a 2010 graduate of Mount Holyoke College, where she was a double major in economics and statistics. She writes, maintains databases, creates graphs, and provides research support for senior staff. Last fall, she received a NABE Foundation scholarship to attend a conference for AIER.



The Summer Fellowship Program: A Commitment to Future Generations

Since 1946, AIER's Summer Fellowship Program has been a pillar of the organization's mission to inform and educate the public. The program is designed for graduating college seniors who plan to enter doctoral studies in economics or an affiliated field and for students enrolled in such programs for no longer than two years.

The summer program provides training and financial support to talented students. Over the course of two two-week sessions, student fellows come together with advanced students, guest speakers, staff members, and distinguished scholars. They explore economic, social, and monetary issues. Last summer, the Institute hosted 12 new students and six returning students drawn from eight different countries, along with nine visiting scholars.

AIER believes it is vital for energetic, innovative, and sharp minds to be exposed to a variety of questions derived from real-world research. The program introduces the next generation of educators and opinion-makers to the nonpartisan, scientific methods that are the trademark of the organization. Intensive seminars on sound money, methodology, and property rights reflect the Institute's core values.

Admission is based on academic achievement, interest in current economic problems, plans for future study, and potential for success. AIER is particularly interested in students who aspire to teaching or other careers where they will have an impact on popular economic understanding.

Student fellows Chenxi Cai and Wisley Douyon take a break on AIER's campus.

2011 Highlights

- 3 core courses in methodology, sound money, and property rights
- 19 lectures by researchers and guest speakers
- 7 seminars led by returning student fellows
- 2 public events
- Students representing 8 different nationalities



Sponsorship Opportunities



Students listen attentively at a lecture.

Each summer, the fellowship program gives students the chance to apply AIER's brand of unbiased, scientific research to contemporary economic questions. Working alongside renowned professors as well as AIER's accomplished staff, student fellows receive a comprehensive education and develop important professional relationships. These opportunities help pave the way to success in academia and beyond.

In addition to three rigorous seminars, the program provides young scholars with presentations by lecturers, guest speakers, staff, and advanced doctoral students.

While in residence, student fellows receive room and board as well as a \$500 stipend. Students who successfully complete the program are invited to apply for an in-absentia award for an accredited graduate degree program for the following academic year. In recent years, awards have averaged about \$2,500 per student.

AIER depends almost exclusively on continued support from individual donors who understand the importance of the Institute's independent economic perspective. AIER is beginning to fundraise for the next year, accepting both general contributions and sponsorships for students, scholars, seminars, and presentations. If you are interested in making a gift, please contact Director of Development and Outreach Declan Sheehy at declan.sheehy@aier.org or at (888) 528-1216, ext. 3153.

Returning student fellows for 2011 included Zachary Gochenour, Olga Bespalova, and Viviana Ehrenzeller.



New Ways to Support the Mission

AIER has decided to expand its reach by providing content electronically and free of charge on the web. While this constitutes a change in practice, it also represents a continuum. From its beginnings in the middle of the Great Depression, the Institute has been committed to providing ordinary citizens easy access to topflight economic information. In the 21st century, fulfilling this mission increasingly means posting free information on the Internet.

Print copies are still available to current subscribers. AIER economists remain focused on their traditional charge to conduct independent, unbiased research that individuals can understand and use. But in late 2011, the Institute, which is a tax-exempt 501 (c) (3) charity, changed the way it raised money. For years, AIER was a small organization supported by membership fees, book sales, and donations from private individuals. The shift to an all-donation organization that accepts larger contributions will allow us to raise more money, increase our readership, and develop a wider base of support.

Our new tiered-giving schedule is listed at right. Adopting this annual model for tiered-giving donations does not mean that we have abandoned other ways people may support our work, such as the planned giving program. Rather, it represents an enhanced avenue through which our generous donors can support the Institute's ongoing work by donating every year.

For more information, call Declan Sheehy, director of development and outreach, at (888) 528-1216 ext. 3153, or email declan.sheehy@aier.org.

Reader Circle - \$50+

Members of the Reader Circle receive digital editions of our flagship publications—*Research Reports*, *Economic Bulletins*, and our proprietary *Business-Cycle Conditions*—as soon as they are published; a monthly e-newsletter; access to the E.C. Harwood Library, with archives dating back to 1933; and unlimited digital copies of our full-length publications.

Research Circle - \$100+

All of the above plus print editions of our flagship publications sent via USPS.

Scholar Circle - \$500+

In addition to the above benefits, the Scholar Circle entitles supporters to unlimited access to printed material and publications and to special invitations to AIER conferences and events.

Executive Circle - \$1,000+

Executive Circle supporters receive an invitation to the AIER annual meeting, an AIER appointment diary, and a complimentary subscription to American Investment Services' *Investment Guide*.

Chairperson Circle - \$5,000+

Among the additional benefits available to members of the Chairperson Circle are a detailed portfolio analysis by AIS and a special mention in our *Annual Report*.

Founder Circle - \$10,000+

Members of the Founder Circle receive all of the above plus access to a quarterly AIER Business-Cycle Conditions webcast.

Harwood Circle - \$25,000+

Members of our highest tier of individual supporters receive all benefits of the preceding levels in addition to the use of the Stone House for private meetings and events and exclusive invitations to hear AIER guest speakers. Access to the quarterly AIER Business-Cycle Conditions webcast includes a question-and-answer session with the lead economist.

Corporate Circle - \$50,000+

In addition to the benefits available to individual supporters, Corporate Circle donors can underwrite specific projects and disseminate our economic research in both print and digital forms to their employees.



Our Generous Donors

The following individuals and businesses gave \$50 or more in 2011.

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Collaboration is one of the key elements of AIER's research. Foreground, from left: Research Fellows Polina Vlasenko and Shelly X. Liang and Graphic Designer Eric Taylor. Background: Research Fellow Zinnia Mukherjee, Creative Director Marcia Stamell, and Research Analyst Julie Ni Zhu.



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A Breadth of Knowledge

Director of Human Resources Gail Roger joined AIER after her first year in college. She is one of the few remaining members of the staff who worked with the Institute founder, Col. E.C. Harwood.

Gail Roger



“He was a military man, and he ran a tight ship, but he allowed people to try new things and showed his appreciation for them,” she says. She recalls him as a leader who maintained a forward-looking vision for the Institute. “In a different way, we’re reaching out now.”

Gail worked first in the research department and then in computer programming. Later, she became part of the finance department, eventually becoming comptroller. In 2007, she took on her current position after receiving her professional certification in human resources.

“I’ve spent my career here learning, being exposed to all facets, from AIS investment services to our own economic information,” says Gail. “We’re an educational organization, and we provide so much.”

Gail has made her work supporting AIER’s mission into a family affair. She brought her sister Laurie Pshenishny, now assistant comptroller, on board a little over 15 years ago.

Her breadth and depth of knowledge about AIER makes her a natural fit for Human Resources. “It’s helped me to understand the needs of other departments,” she says. Today, she’s working to increase the in-house staff and help AIER form partnerships with other economic experts.

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One of the Best Jobs

Bruce Gore knows AIER inside and out, from its intricate heating system to its sprawling grounds. He ought to. The facilities manager started working for the Institute 39 years ago.

Bruce worked at AIER from 1973 to 1996, then rejoined the organization in 2005. He sees his role as a kind of steward. By keeping the property running smoothly—from regular maintenance and repairs to converting the former mail room into a gym for employees and visitors—Bruce ensures that staff can get down to business. “I think I might have one of the best jobs in the world,” he says.

One of the most enjoyable parts of Bruce’s job is working with AIER’s researchers, summer student fellows, and visitors. “I’ve met people from India, Pakistan, China, Bangladesh, Burma, Europe, Norway, France, Russia, England, South America, and Africa,” Bruce says. “That’s one of the neatest things.”

The Institute—much like its property—is experiencing a revitalization, he adds, while staying true to its origins. “We’re talking about issues that were important when the Institute was founded,” he says, “nuts and bolts and serious economic issues that are timely and applicable.” As a building contractor, Bruce is particularly interested in AIER’s coverage of the housing crisis: “It’s nice to have a better feel for what’s happening when you watch the news or read the paper—a behind-the-scenes view.”

AIER’s vigor, he says, is on display in the discussions that take place daily around the lunch table. “We talk about current conversations in the media and in-depth economics,” Bruce says. “It’s fun to be a part of it.”

It’s nice to have a better feel for what’s happening.

Bruce Gore



In Memoriam

Edward H. Adolph 1937-2011

Edward H. Adolph



Edward H. Adolph, chair of AIER's board of trustees, passed away August 27. A dedicated supporter of AIER, Ed joined the voting members in 1997. He served as a member and chair of the standing committee before he was appointed to the board in 2005. Ed held the position of board chair from 2006 until the week before his death.

A familiar face to staff, summer students, and visiting research fellows alike, Ed was a consistent presence at Friday staff lunches and annual picnics. His abiding interest in free market economics made him a highly active member of the Institute. His activities ranged from attending such events as the 2008 conference on local currencies to sponsoring a 2007 lecture on property rights and eminent domain. Through his leadership and generous philanthropy, Ed advocated for the value of bringing independent, forward-looking, economic research to the public.

Ed graduated from Yale University in 1959 with a bachelor of science in industrial administration. Over the course of a long career, he worked for the U.S. Army Security Agency and as a computer programmer for *Reader's Digest*. In 1978, Ed's passion for all things vintage led him to open British Country Antiques in Woodbury, Conn. He worked there until his retirement in 2000, when he relocated to the Berkshires.

He will be greatly missed.

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In addition to the
 above, 536 other
 people made financial
 donations of less
 than \$50.

Drawn by the Research

John Skar learned of AIER last September when he met Seth Hoffman, vice president of AIS, on the tennis courts. “I went home that day and found the website and got excited because it was right up my alley,” he says. The retired life insurance actuary from Wilbraham, Mass., explains that he was drawn to AIER’s research on currency and gold—and to its long-term commitment to unbiased research.

At the annual meeting in October, John had the chance to mingle with staff and voting members. A speech by Dr. Robert L. Hetzel of the Federal Reserve Bank of Richmond also struck a chord. “I was very impressed with the people, and with their overall level of knowledge and enthusiasm,” he says. “I think it was very important in reinforcing my interest in getting involved.”

Since retiring in 2007 from his position as senior vice president at MassMutual Financial Group, John has devoted more time to his lifelong interest in economics. A math and economics double major in college, John spent a year studying economics at Harvard before beginning his career. AIER has proven to be an ideal resource for him.

After the October meeting, John decided to make a donation. “I’ve always given a significant amount of money to some similar organizations,” he says. “Now, I consider AIER one of my primary non-profits.”

John Skar



2011 Lectures Draw the Public

Each summer, AIER opens its doors to the public with free lectures on contemporary economic ideas. Notable guest speakers help fulfill the Institute's mission of educating individuals by offering analyses of issues that are shaping the economic and financial landscape.

Early in the summer, dozens of people from the local community attended Dr. Dominick Salvatore's discussion of how the financial crisis impacted growth and exchange rates in the 20 major world economies. Dr. Salvatore is the director of graduate studies in economics at Fordham University and the author of the world's leading textbook on international economics, *Theory and Problems of Microeconomics*.

Later, AIER and its investment advisory, American Investment Services, hosted "Bullion and Beyond," a panel about the options available to gold investors. Gold has long been a flagship interest of the Institute. Nearly 50 people came to hear the expertise of a range of leaders on the subject. The panelists were James Turk, the chairman of GoldMoney; Dave Nadig, the head of research at Index Publications LLC; Robert Miller, the managing director of the investment bank Miller-Mathis; and William Mulligan, the director of Griffen Mining.

NYC Appearances Extend Outreach

Steven Cunningham, acting president and director of research and education, made two appearances in New York City in 2011. The first was on a panel sponsored jointly by *Consumer Reports* and the Columbia University's Knight-Bagehot Fellowship for Economics and Business Journalism. The discussion, "A Tale of Two Recessions," focused on whether the American economy had recovered from the most recent recession. Gerri Willis, an anchor at FOX Business Network, moderated the event. Joining Steven on the panel were Raymond D. Horton, a professor at Columbia Business School, and Ed Farrell, the director at *Consumer Reports* National Survey Research Center.

In September, Steven was a panelist at a New York Society of CPAs briefing on the current state of the New York and national economies. The panel was moderated by Robert Lane Greene, a business correspondent for *The Economist*. The panelists included Joseph Tracy, the executive vice president at the Federal Reserve Bank of New York; James Andrew Orr, the assistant vice president at the Federal Reserve Bank of New York; and Stanley Goldstein, the founder of The New York Hedge Fund Roundtable.

Regular meetings keep staffers at AIER and AIS up to date. Here, Chief Financial Officer David Michaels goes over some hard numbers.



2011

Statement of Financial Position

Condensed Consolidated Statement of Financial Position

December 31, 2011 (dollars in thousands)

Assets	2011	2010
Cash and investments	\$9,329	\$10,289
Receivables	455	381
Inventory	66	105
Property and equipment	3,066	3,182
Investments held under split interest agreements	144,198	141,364
Other assets	56	51
Total Assets	157,170	155,372

Liabilities and Net Assets

Liabilities	2011	2010
Accounts Payable and accrued expenses	396	443
Deferred Income	272	388
Liabilities under charitable trusts	83,926	83,325
Total Liabilities	84,594	84,156

Net Assets	2011	2010
Undesignated	5,825	7,066
Designated	6,478	6,111
Assets held under split interest agreements	60,273	58,039
Total Net Assets	72,576	71,216
Total Liabilities and Net Assets	\$157,170	\$155,372

Condensed Consolidated Statement of Activities

Year Ended December 31, 2011 (dollars in thousands)

Revenues, Gains, and Other Support	2011	2010
Operating Revenue	\$2,265	\$2,363
Contributions, grants, and bequests	1,692	579
Investment income	356	1,203
Change in the value of split interest agreements	2,003	3,449
Total Revenues, Gains, and Other Support	6,316	7,594

Expenses and Losses	2011	2010
Operating expenses	4,528	4,869
Management and general	428	419
Total Expenses and Losses	4,956	5,288

Change in Net Assets	1,360	2,306
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Net Assets, Beginning of Year	71,216	68,910
Net Assets, End of Year	\$72,576	\$71,216

During 2011, AIER began a transition from direct mail marketing to a new donation-based outreach program. The program is designed to attract new readers by expanding and improving our web presence, creating a larger media presence, and re-building our brand.

To do this, we need to improve donation and retention levels. We made significant progress during 2011. AIER invested in people, systems, and web technology. We began re-building member relationships and fundraising efforts and ramped up our outreach initiatives. The preliminary results and feedback from members are very positive. We are excited about AIER's future.

Consolidated net assets, the most important indicator of our financial strength and our ability to carry out our mission, remain strong. Net assets increased by \$1.4 million (2 percent) to \$72.6 million. Total consolidated revenue was down \$1.3 million, but still strong at \$6.3 million. The largest components of revenue were \$2.4 million of net investment gains, \$1.7 million from donations, and \$1.7 million from investment management fees.

AIER's financial statements were audited by Bollam, Sheedy, & Torani. There were no risk findings for the year ended December 31, 2011.

David Michaels

David Michaels
Chief Financial Officer

Investment Advice with a Mission

The American Institute for Economic Research is unique among economic think tanks. Unlike policy-oriented institutions, AIER speaks directly to the needs of ordinary citizens.

AIER's ownership of American Investment Services, Inc., an SEC Registered Investment Adviser, serves the Institute's mission by providing individuals and institutions



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- > Bobo Nge
senior analyst
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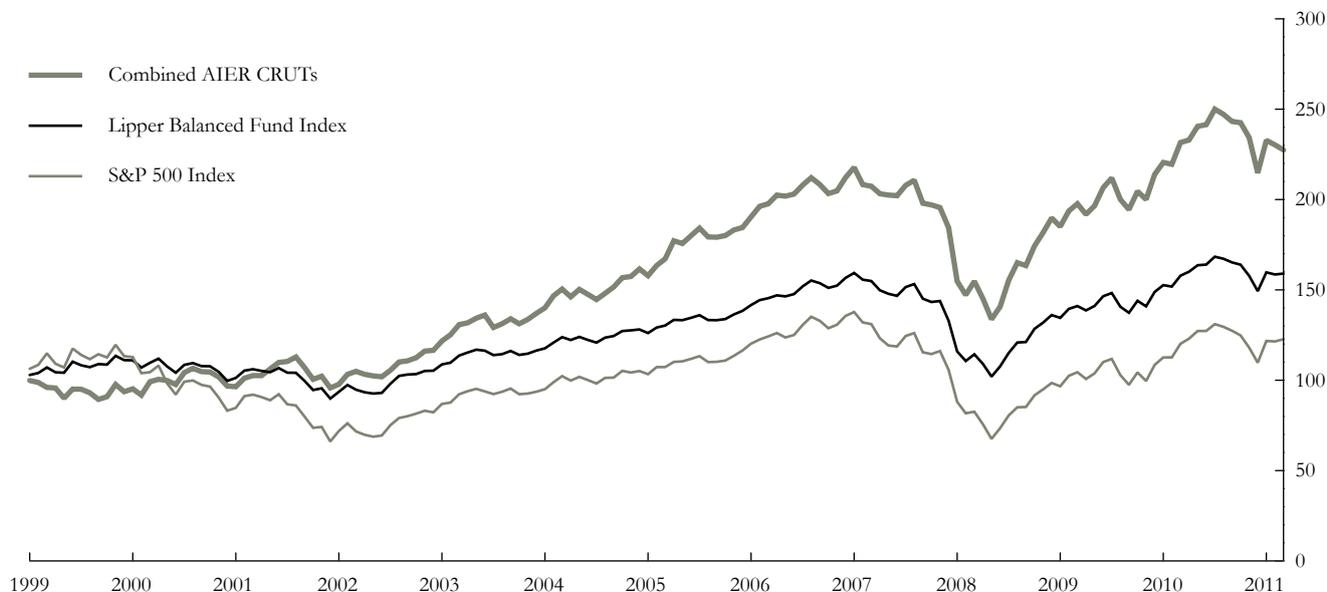
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Among the big changes in 2011 is a closer working relationship between AIER and AIS. Here, AIER's Director of Research Steven Cunningham and AIS President John Barry discuss recent economic trends.



Performance History for AIER's Charitable Remainder Unitrust Program*

Growth of \$100 January 1999 to December 2011



* Combined accounts for one of AIER's popular planned giving programs. Results do not reflect the deduction of transaction and investment management fees, the incurrence of which would have the effect of decreasing historical performance results. The results portrayed reflect total return and the reinvestment of dividends and capital gains. All investment strategies have the potential for profit or loss. Changes in investment strategies, contributions and/or withdrawals may materially alter the performance, strategy and results of your portfolio. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will be profitable for a client's investment portfolio. Past performance may not be indicative of future results. Therefore, no client should assume that the future performance of any specific investment, investment strategy or product used by the advisor will be profitable or equal to past performance. The results shown are not necessarily the results for other investment accounts managed by AIS over the same periods since accounts reflect a variety of allocations among asset classes depending on the investment objectives, financial needs and risk tolerance of the account holder.

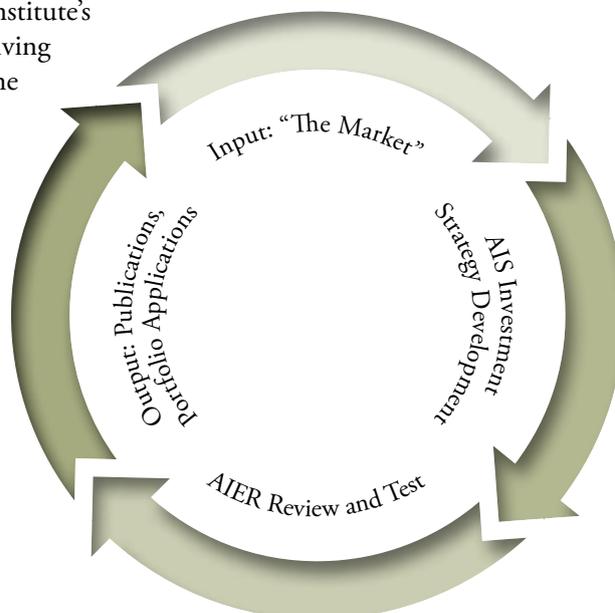
Working Together for You

Our investment research process involves a feedback loop that combines AIER's objective academic rigor with real-world application. Our inputs include our clients' needs, capital markets data, and a competitive marketplace that fosters constant innovation.

Our high-yield Dow (HYD) investment strategy provides a good example of the practical benefits of this collaborative process. AIER and AIS developed the HYD model strategy to accommodate the Institute's dual objectives of income and growth for its charitable giving program. AIER sought a combination of consistent income for trust beneficiaries and long-term capital appreciation to fund its mission. Unlike other popular but simplistic "Dogs of the Dow" methods, our HYD model is based on an exhaustive review of the monthly prices, dividends, and capital changes for each of the stocks in the Dow Jones Industrial Average beginning in 1962.

HYD has proven to be a successful large-cap value strategy for income-oriented investors. For a thorough discussion, we recommend AIER's book, *How to Invest Wisely*.

To learn more, visit us at www.americaninvestment.com, call (413) 528-1216, ext. 3119 or email us at aisinfo@americaninvestment.com.



A Network of Experts

Throughout the year, distinguished academics, financial specialists, and other movers and shakers help AIER fulfill its mission. They add breadth to our flagship publications, *Research Reports* and *Economic Bulletin*. They enrich the experience of graduate students who come here for our Summer Fellowship Program. And they provide critical perspectives to our lectures and workshops.

In 2011, a long list of talented professionals worked with our full-time staff to present AIER's distinctive brand of accessible economic analysis.

Visiting Research Fellows

- > Arthur Carden, assistant professor of economics, Rhodes College
- > Ronnie Phillips, professor of economics, Colorado State University
- > Craig Richardson, associate professor of economics, Winston-Salem State University
- > William Ford, professor of finance, Middle Tennessee State University; former president of the Federal Reserve Bank of Atlanta
- > Frank Ryan, associate professor of philosophy, Kent State University
- > Lawrence White, professor of economics, George Mason University

Guest Speakers

- > James Turk, chairman, GoldMoney
- > Dave Nadig, head of research, Index Publications, LLC
- > Robert Miller, managing director, Miller-Mathis
- > William Mulligan, director, Griffen Mining
- > Eric Peck, brigadier general, Kansas State National Guard
- > Dominick Salvatore, professor of economics, Fordham University
- > Donald Chambers, professor of business and finance, Lafayette College
- > David Colander, professor of economics, Middlebury College
- > Gregg Van Kipnis, former general partner of Tiedemann Investment Group

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- > Craig Richardson, associate professor of economics, Winston-Salem State University
- > Margaret L. Greene, former senior vice president of the Foreign Exchange and research departments at the Federal Reserve Bank of New York
- > Lei Chen, associate professor of economics, Wuhan University in China
- > Lawrence White, professor of economics, George Mason University
- > Frank Ryan, associate professor of philosophy, Kent State University
- > William Ford, professor of finance, Middle Tennessee State University; former president of the Federal Reserve Bank of Atlanta
- > Eric Peck, brigadier general, Kansas State National Guard
- > Gregg Van Kipnis, former general partner of Tiedemann Investment Group
- > Allan Murray, adjunct professor at Fordham University School of Business
- > Lynndee Kemmet, researcher at Network Science Center at West Point

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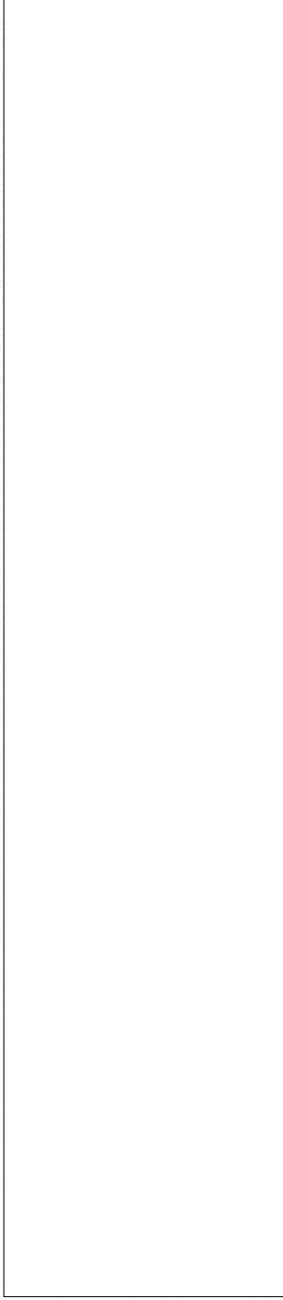
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For nearly 80 years, AIER has committed itself to helping people by giving them the results of economic research they can understand and use. We do this through our flagship publications, our website, and supporting public programs. But the Institute's revenue covers only a small fraction of the cost of fulfilling this mission. The rest comes from the generosity of contributors like you.

Please take a moment to visit www.aier.org and learn how you can help. AIER is a public charity and

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Financial accounts are available for inspection during normal working hours. To make a donation or find out more about AIER's planned giving programs, email pgo@aier.org, call (888) 528-1216, or visit www.aier.org.



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