

What Is A Think Tank?

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A series of articles in the *New York Times* uncovered unhealthy relationships between special interests, think tanks and people who write under a think tank aegis.

What lesson can be learned? Some suggest that there should be no contracted research. Others say there can be no “play for pay.” Unfortunately, the world is not quite that simple.

Suppose a company offers to pay a think tank \$25,000 for a study of X. That is called “contract research.” But suppose a think tank wants to do a study of X and asks a company for \$25,000 that is called “development.” Do the ethics hinge on which entity thinks of the idea first? I don’t think so. The true ethical lapse arises when people claim to be independent thinkers but really do someone else’s bidding. If there was any misconduct, this was the issue exposed by the *New York Times*.

Consider two models for organizations to follow:

- The American Legislative Exchange Council (ALEC) The organization not only accepts corporate money but allows corporate sponsors to help plan activities, attend meetings and appear on the programs.
- The Institute for Economic Affairs (IEA): Corporate sponsors play no substantial role in shaping programs or publications, there is no contract research and donors are largely kept at arm’s length.

I am a fan of both ALEC and of IEA. I do not believe one model is superior to the other, although it is hard to see how a “think tank” can follow the ALEC model. However, there is something very wrong with claiming to follow the IEA model, if one actually mimics the ALEC model. That would be a scandal waiting to be exposed.

These issues should prompt all of us to stop and take stock. What exactly are we doing? Why are we doing it? Even more fundamentally; what is a think tank? What do think tanks do? And why are they important? Below are my answers:

THINK TANKS AS IDEA FACTORIES

A think tank is an organization that sponsors research on specific problems, encourages the discovery of solutions, and facilitates interaction among scientists and intellectuals in pursuit of these goals. A public policy think tank focuses on government policies.

By nature, public policy think tanks are involved with the academic and scholarly world. In fact, the most important sources of political change are not politicians, political parties or financial contributions, rather they are ideas generated on college campuses, in think tanks and in other research organizations.

IDEAS THAT CAUSE CHANGE

A wise man once said, “Nothing is more powerful than an idea whose time has come.” Most important political change starts with a simple idea. The idea inevitably originates with people who spend a great deal of time thinking. It is difficult to point to any modern major public policy that did not originate in the academic world. Below are some examples of ideas that lead to a change in public policy:

- When Chile became the first country to privatize its Social Security system, the architects were US-trained economists who looked to Nobel Laureate Milton Friedman and his University of Chicago colleagues for guidance. Since then, more than 30 countries have followed Chile’s lead.
- When Margaret Thatcher set out to privatize the British economy, she relied on the Adam Smith Institute and the Institute of Economic Affairs for key ideas that were later promoted in the United States by the Reason Foundation and others.¹
- The idea of the flat tax, which has been adopted in Russia, Eastern Europe and elsewhere around the world, was originally proposed by Milton Friedman² and subsequently promoted by the Hoover Institution.³
- Ronald Reagan’s supply side economics came from Nobel Laureate Robert Mundell and was popularized by economist Art Laffer and *Wall Street Journal* columnist Jude Wanninski.⁴
- School vouchers, an idea rapidly spreading around the world, originated from a Milton Friedman proposal.⁵
- Welfare reform, perhaps the most successful public policy reform of the last quarter-century, almost single-handedly flowed from Charles Murray’s book, *Losing Ground*, sponsored by the Manhattan Institute⁶
- Health Savings Accounts and Roth IRAs are only two of the numerous ideas generated by the National Center for Policy Analysis.

¹ Madsen Pirie, *Dismantling the State* (Dallas, TX: National Center for Policy Analysis, 1985).

² Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962).

³ Robert Hall and Alvin Rabushka, *Flat Tax*, 2nd ed. (Stanford, CA: Hoover Institution Press, 1995).

⁴ Jude Wanninski, *The Way the World Works* (New York: Basic Books, 1978).

⁵ Friedman, *Capitalism and Freedom*.

⁶ Charles Murray, *Losing Ground: American Social Policy, 1950-1980*, 10th anniv. ed. (New York: Basic Books, 1995).

Before the collapse of Communism, underground copies of Milton Friedman's book *Free to Choose* were smuggled into Eastern Europe. They introduced a generation of students and political dissidents to classical liberal ideas. This and other Western publications played a decisive role in bringing about the collapse of Communism and later served as a foundation for many countries' post-Communist economic policies.

ORIGIN OF THE IDEA OF A THINK TANK

Ideas come from think tanks. But where did the idea of a think tank come from? It may well have come from Thomas Clarkson, an Englishman who founded the Society for the Abolition of The African Slave Trade in 1782. By meticulously describing slave trade conditions, supplying diagrams of slave ships, and combining factual inquiry with moral argument, Clarkson engaged in a war of ideas.

“Powered by an evangelical zeal, Clarkson's committee would become what might be described as the world's first think tank,” writes Lawrence Reed.

“Noble ideas and unassailable facts would be its weapons.”⁷

Think tanks figured prominently in the 20th Century. The Manhattan Project was a very focused think tank of sorts. The RAND Corporation, Brookings Institution and Urban Institute also left their mark. Of special interest are organizations that sprang up in the latter part of the 20th Century, often for the explicit purpose of defeating collectivism, among these were the Hoover Institution, the Heritage Foundation, the American Enterprise Institute and the Cato Institute.

No single person was more important in encouraging the spread of think tanks than Sir Antony Fisher. A Royal Air Force pilot in World War II and successful businessman, Fisher sought advice from Nobel Laureate Friedrich Hayek on how to stop the spread of collectivism and to encourage a resurgence of classical liberal ideas. ‘Don't go into politics,’ Hayek advised. ‘Focus instead on the world of ideas.’⁸

Fisher founded the Institute of Economic Affairs in London, which later became Margaret Thatcher's think tank. He then helped found the Fraser Institute in Canada; the Institute for Liberty and Democracy in Peru; the Manhattan Institute and the National Center for Policy Analysis (NCPA) in the United States. His Atlas Foundation supplied seed money and convened an annual think tank conference. By the time of his death, Fisher had helped start more than three dozen think tanks around the world.

HOW IDEAS CAUSE CHANGE

Ideas tend to filter through a hierarchy. They start in the realm of intellectuals. Through conferences, speeches, briefings and reports written for lay readers, their audience expands. The ideas begin to appear in newspaper editorials. Special interests may sometimes help an idea along. Gradually, more people become aware; politicians are often the last to climb on board. It is a process that has been repeated again and again.

⁷ Lawrence Reed, “A Student's Essay That Changed the World,” Mackinac Center for Public Policy, 2005.

⁸ Gerald Frost, *Antony Fisher: Champion of Liberty* (London, Profile Books, 2002).

From Ronald Reagan's supply side economics to Bill Clinton's highly successful welfare reform program, to George W. Bush's plan to reform Social Security – each of these ideas started in think tanks. So did Medicare, Medicaid and Lyndon Johnson's Great Society. For good or evil, ideas are powerful engines of change.

Why then do so many people view think tanks as impotent? The answer is: impatience. Ideas take time to cause change.

- It took more than 30 years after Milton Friedman first proposed the idea of school vouchers and the idea of a flat tax for them to become part of the national debate.
- More than 20 years elapsed before George W. Bush campaigned on Social Security reform – an idea that the Cato Institute, the NCPA and other think tanks originally proposed.
- More than 15 years elapsed between the time the NCPA first proposed health savings accounts and they became available. Popular ideas like the Roth IRA and repealing the Social Security earning penalty took a decade to take effect.

Bottom line: People who want important public policy changes must be willing to make long-term investments.

HOW THINK TANKS FUNCTION

In general, think tanks that formed before the Internet age tended to follow the “one roof” model. They brought a diverse group of scholars together under one roof, in order to interact face to face because the costs of communication from campus to campus were high, relative to today.

Now the academic world is teeming with scholars who believe that markets work as powerful engines of social change. In addition, the Internet has made communication inexpensive, easy and immediate. Almost all younger think tanks are organizations without walls.

Think tanks without walls typically have less funding than older organizations. To stretch smaller budgets further, they contract with scholars at other institutions rather than employ them. Thus, the university pays all overhead while the think tank covers the cost of the research it wants. These greater efficiencies may cause an identity problem, however; a news story about a scholarly study may mention only the author and her university but omit the think tank that funded the research.

THINK TANKS vs. UNIVERSITIES

Like think tanks, colleges and universities hire scholars, encourage research, and provide a forum for scholarly interaction. How are think tanks different from these academic institutions? Think

tanks tend to be goal-oriented. Their scholars research specific topics and encourage solutions to well-defined problems. In contrast, the research of tenured professors is unmanaged and undirected, with research and its goals left to the whim of the professor. Think tanks are graded based upon their success in solving real world problems. Universities are graded based according to the academic prestige of their faculty members.

THINK TANKS vs. ADVOCACY GROUPS

In recent years, there has been a proliferation of groups that openly advocate public policy changes (usually on a single issue). These groups are not incubators of new ideas; rather, they serve as lobbyists for established ideas. Often they are financed by special interest groups. They can be helpful in promoting public policy changes, but they are not staffed or led by intellectuals. They are typically anti-intellectual – resisting ways of thinking that are different from the narrow goals of their financial backers.

THE FUTURE OF THINK TANKS

There is enormous untapped potential in the academic and scholarly world. As think tanks grow in terms of budget, skill and expertise, their ability to tap that potential will grow exponentially. The successes we have seen so far are not aberrations. They are the beginning of an intellectual revolution that will set the stage for the policy debates of the 21st Century. As part of that revolution, think tank executives should review their respective missions, internal guidelines and structures to maintain their integrity as independent research organizations.