

# INVESTING IN IDEAS



BY LAWRENCE W. REED

Years ago, as a college professor of economics, I posed a question to each new group of freshman students on or about the first day of class. “Can anyone tell me,” I asked, “what determines whether society is organized along socialist, centrally-planned lines or as a free enterprise, private property order?” The answer to that query, I suggested, would be the same as the answer to this corollary question: “What causes societies to occasionally change from one economic system to the other?”

Rarely would I elicit the response I was looking for, despite all the hints I could come up with. The students’ answers included the following: “the President,” “the Congress,” “the news media,” “the unions,” “the schools.” Invariably, someone would suggest that there was no determinant at all, that we were talking about mere random, chance events—a kind of irrational and unexplainable ebb and flow of history.

At some point, the guesswork would come to an end and I would reveal the answer I was seeking. “People or the institutions they establish play important roles, but neither one is fundamental enough because neither one explains *why* people behave the way they do. The correct answer is that which the French author Victor Hugo once called ‘more powerful than all the armies of the world’—IDEAS!”

People, including politicians, activists, clerics, teachers, and others, often can be *agents* of change, but ideas are the *instigators*. In shaping public policy—including the larger question of free enterprise or socialism, democracy or dictatorship—ideas are of paramount, decisive importance. What people believe, in other words, says a great deal (maybe everything) about how they behave, for whom they vote, what laws and rules they embrace, what kind of system they’ll work to achieve. Change ideas, and you can change the course of history.

## THE INTOXICATING POWER OF IDEAS

Ideas can, indeed, be quite intoxicating, whether they are good ideas or bad ones. They invoke strong passions and spark revolutions. In this century, we have witnessed first the rise of a world empire committed to the ideas of Karl Marx, followed by its dissolution and demise at the hands of a more powerful idea—that of freedom and free markets.

John Maynard Keynes, the late British economist, put it well in 1936 when he wrote, “the ideas of the economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back.”

It will not come as a surprise to many in the business world that ideas hostile to free enterprise and private property have had a dramatic effect for much of this century. A public sector that imposes more regulations than ever on the private sector and consumes at least five times the share of national income it consumed at the turn of the century is stark evidence of those ideas.

An even more disturbing bit of evidence came from a study a few years ago of network television in America: Only three percent of businesspeople depicted on television, the Media Institute found, were involved in “socially useful or economically productive” behavior.

The same study reported that more than half of all corporate chiefs on TV committed illegal acts ranging from fraud to murder. And a special PBS program entitled *Hollywood’s Favorite Heavy: Businessmen on Prime-Time TV*, declared, “By the age of 18, the average kid has seen businessmen on TV attempt over 10,000 murders.”

## IDEAS HAVE CONSEQUENCES

Make no mistake—these developments reflect and even nourish a body of opinion, a complex of ideas, which at their root are inimical to free markets and private enterprise. They speak volumes about a void in our national economic education. In a subtle but corrosive way, they have been undermining the philosophical and institutional pillars of our free society for decades. “Ideas,” Richard Weaver once said, “have consequences!”

The war of ideas being as important as it is, corporate America simply cannot afford to be a conscientious objector. Whether you live in a socialized economy or a free society matters to you—and it absolutely does,

even if you choose not to think about such things—then failure to commit time and resources to help shape the climate of opinion around you is shortsighted and probably suicidal.

Many corporate executives may be quick to say, “I am involved in such things; I give money to candidates, and so do the political action committees to which my company contributes.” That’s important, but it’s also akin to locking the proverbial door after the horse has left the barn. Politicians usually *reflect* opinion and seldom generate it; what they can accomplish in office is defined and circumscribed by prevailing majority opinion. If you really want to make a difference and get the maximum bang for your bucks, then you should invest in ideas. Change public opinion, and the politicians will fall into line accordingly.

## INVESTING IN IDEAS

How does one invest in ideas? Fortunately, a superbly effective vehicle to do that has emerged in recent years—the public policy research institute, or “think tank.” Dozens of them are springing up all over America. They are the futures markets of the idea business—where one can hedge against unfavorable shifts in opinion and policy.

Until recently, the think tank market was dominated by those whose ideological persuasion could be described as “interventionist.” They turned out studies, commentaries, and reams of other documents and held conferences and seminars intended to provide intellectual thrust and justification for bigger government, more public spending, and new regulation of private enterprise. Far from helping, such policies closed the doors of opportunity for millions of Americans hoping to find employment or pursue their dreams as entrepreneurs.

The 1970s and 1980s, however, produced a burst of diversity and the rise of “free market” think tanks. First to arrive were those on the national scene, devoted to making the case for “less government” policy alternatives in Washington. Much of the inspiration and intellectual grist for the tax and spending cuts of the Reagan years came from the scholars and thinkers at these research institutes.

An even newer, more “grass roots” dimension of the free market think tank phenomenon is taking shape now in

the states. Groups committed to advancing a free market perspective on issues at the *state* level are springing up from coast to coast—at least 40 at last count.

The issues these groups are moving to the front burner of public discussion include educational choice, tort reform, privatization, economic development, streamlining government, environmental quality, deregulation, and labor law reform. Through their publications and programs, they are getting their free market message across to the media, to legislators, to educators, and to the public at large—injecting a refreshing and much-needed antidote to what used to be an “interventionist” viewpoint monopoly in many state capitals.

### THE IMPACT OF RESEARCH INSTITUTES, OR “THINK TANKS”

As testimony to the impact of these organizations, national magazines and journals have featured them in a number of articles. There are hardly any national news magazines or large-city newspapers that have not produced stories suggesting that state-focused free market research institutes are exerting increasing influence by virtue of sheer persistence and eloquence in expressing their ideas.

Michigan Governor John Engler credits the emerging success of these groups to a shift away from a faith in the federal government: “There’s a disillusionment with Washington’s ability to solve problems,” he told *Forbes* magazine. “The real action is going to be at the state level.”

As president of the largest state-focused think tank, I can speak from an insider’s perspective. My organization, the Mackinac Center for Public Policy, shares many common features with our sister think tanks in the other states. We focus all our attention on public policy issues in our state (Michigan). We are organized as a 501(c)(3) nonprofit, which means that contributions to our organization are tax deductible.

Our Board of Directors consists of fifteen individuals from both the business and academic worlds. The Mackinac Center’s 1999 budget of more than \$2 million represents a greater than 100 percent increase over 1996. Growth of that magnitude speaks volumes about our visibility and credibility throughout Michigan. It also makes us one of the most effective state-based research institutes in the nation.

Because the state-based think tanks are so new, most live hand-to-mouth, and few have endowments in place. The option exists for interested organizations to make tax deductible contributions to current operating budgets, capital budgets, certain specific projects, or toward endowments.

The best opportunities for giving are to those research institutes that show a broad range and large number of contributors, with no single source comprising a dominant share of the organization’s budget. That’s what we’ve accomplished at the Mackinac Center, with the result being that our work is not “tainted” by the charge that it was “bought” by any particular interest group. Members of our staff as well as accomplished and credentialed academic specialists from respected private and state colleges and universities conduct research and produce policy studies that withstand any barrage of hostile scrutiny.

The Mackinac Center’s work is aimed at influencing the climate of public opinion in a way that makes the needed changes in public policy possible. Depending upon the publication or the event, our audiences are legislators, media people, educators, students, clergy, the business community, and the public at large. A stream of incisive, well-researched and timely studies and commentaries—the staple products of every think tank—form the front lines of our challenge to prevailing wisdom. Many other programs carry our message directly to the audiences listed above.

### MEASURED SUCCESS

The most meaningful measure of success is the large number of our proposals that have gained popular support and been made into policy. And there are other important indicators of success: the number of newspaper mentions within our state per year (more than a thousand annually); the coverage we generate from the state’s broadcast media; the number of requests for speaking engagements (more than 100 every year); the volume and quality of our publications; and the frequency with which legislators, the Governor, and their staffs seek our advice.

At the Mackinac Center, we are proud of the fact that the current Governor has cited our work, implemented many of our recommendations, and appointed several associates and scholars to high positions within state government.

Corporate funding of public policy research (or similar, so-called “advocacy” groups) is not massive, but neither is it new. What comes as a surprise to many people is the fact that a sizable chunk of those dollars has gone (and still goes) not to the “free market” groups but to those of a very different bent.

In a recent book, *Patterns of Corporate Philanthropy*, economist James T. Bennett documents what he regards as the sad state of corporate America’s support for the very system that forms the foundation of their existence, free enterprise. Bennett says that year after year, the overwhelming share of corporate donations for public affairs research groups went to those of a left-of-center, anti-free enterprise persuasion (61.3 percent, by his calculations).

### INVESTING IN THE RIGHT IDEAS

In his introduction to the first edition of *Patterns*, Robert H. Malott of FMC Corporation wrote, “Unfortunately, most corporations devote only a very small share of their contributions to public affairs. Worse yet, even these relatively small contributions often reflect a strategy of appeasement. Put more bluntly, many corporations actually reward the groups that most vigorously attack them.”

Business support of groups and people who advocate an ever-more-intrusive role in the economy for government amounts to nothing more than feeding the alligator in the hope that he’ll eat you last. As a stockholder, I feel betrayed when I see that happen. As a believer in the much bigger picture—the importance of a free society—I am outraged by it.

Corporate America needs to take a hard look at where its public affairs dollars are going and ponder the question, “Are we helping preserve and strengthen private property, free enterprise and individual initiative, or are we slitting our own economic throats by subsidizing groups that push for more centralized planning and control?”

In any event, anyone in business who suffers from the illusion that ideas are too intangible to matter should wake up and smell the coffee. Ideas make all the difference in the world because they create the stage on which we all perform.

Investing in ideas—the *right* ones, not just *any* ideas—is a long-term investment, but one that has a return every bit as tangible as the purchase of stock. If you want to be a player in the idea business, consider investing in the think tank movement, especially those groups committed to the free market. The return on that investment—a stronger, freer society—is the one yield that *won’t* raise your tax bill and *will* go a long way to assure that your children live as free and prosperous citizens.

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### ABOUT THE MACKINAC CENTER FOR PUBLIC POLICY

The Mackinac Center for Public Policy is an independent, nonprofit, nonpartisan research and educational institute devoted to analyzing Michigan economic policy issues. The Center was founded in 1987.

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