

Fifty Laboratories of Democracy: Changing Public Policy in the States Will Change Everything

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It is commonplace these days to say that the solutions to America's problems will not be found "inside the Beltway." In fact, this realization, if it takes hold, will mark a genuine milestone in American political life. After decades of creeping federal usurpation of state responsibilities and the continual centralization and bureaucratization of decisions affecting in great detail how all Americans live their lives, the tide may be starting to turn. How fortunate America will be if, when the history of the 1990s is written, it is said that the present generation rediscovered the wisdom of the Founders in making the states the incubators of change, the vibrant laboratories of democracy.

Americans who believe in the freedom philosophy were long accused of having a "beltway mentality," or what I like to call an "Air Force strategy." In the face of the virtual dominance of local and state politics by pro-government forces, advocates of freedom only made an occasional "bombing run" to the provinces. The day after a Walter Williams, a Michael Tanner, or a Marvin Olasky visited an American city to share genuine words of wisdom about political accountability and economic prosperity, these "bombardiers" would fly out of town. Then the establishment would go back to work expanding the welfare state, increasing the monopoly power of public employee unions, and undermining the Judeo-Christian values that undergird the political and social order.

Many young Washington think-tankers of the early Reagan years, myself included, were told again and again, "Sure, you guys can win the White House but you'll never be the majority party in the Congress, in the state legislatures, or on the local school board." The fact is, that criticism was justified. The "Air Force strategy" had to be augmented by an "Army strategy." So, beginning in the late 1970s and throughout the 1980s, conservative and libertarian think tanks began springing up in the state capitals and in other major cities. Their goal was to "occupy the territory" of state and local politics, to "take and hold" some ground, to "pacify the population," and to create a "base of operations" from which to expand the influence of the freedom philosophy. The military metaphor is particularly apropos in this case. An effective "air war" sets the stage for a victorious "ground war."

What State-Based Think Tanks Do

Among the first of the state-based think tanks were the Claremont Institute in California and the Manhattan Institute in New York. They were quickly followed by the Heartland Institute (Chicago), the Independence Institute (Denver), the Washington Institute for Policy Studies (Seattle), the James Madison Institute for Public Policy Studies (Tallahassee), the Commonwealth Foundation for Public Policy Alternatives (Harrisburg), the Pioneer Institute for Public Policy Research (Boston), the Mackinac Center (Michigan), and others. Today, there are approximately 40 state-based think tanks and at least 40 more organizations that boast a conscious strategy to "win the issues" at the state and local level.

Dr. James D. Gwartney, a member of the Kansas Public Policy Institute's Research Advisory Council, notes that four things distinguish a state think tank's role in the formation of public policy. "First a think tank focuses its energy on innovative ideas, not partisan politics. Second, although we pride ourselves on accepting no government funding, we are not anti-government -- we want better government, limited government. Third, our activities are always aimed at education, never at lobbying. And fourth, our purpose is to promote independent research for the common good of society, not to serve special interests." These features may also apply to other think tanks, but they are especially crucial to the success of state-based think tanks.

State-based think tanks have been active intellectual centers in key policy debates: promoting term limits and opposing state personal income taxes; promoting tougher sentences for violent criminals and

opposing minimum wage laws; promoting private property rights and opposing environmental extremism; promoting educational choice and opposing unfunded federal mandates; promoting caps on state spending and opposing political correctness on college campuses; promoting welfare reform; and opposing public financing of political campaigns.

State-based think tanks have had significant influence on governors in Michigan, Massachusetts, Wisconsin, and elsewhere. Once firmly established, these organizations have forged strong working relationships with hundreds of legislators and their staffs, often serving as mentors to policy makers.

A Theory of Social Change

Beyond the obvious facts that: (1) the states are the laboratories of democracy, and (2) "on the ground" think tanks make a difference in day-to-day policy debates, what social dynamic is at work in the state-based think tank movement? These organizations have a distinctive theory of social change. They believe that social change will occur when the agents of change have accomplished two related tasks: effectively mobilizing mass public opinion and effectively neutralizing elite public opinion.

Elite public opinion -- the policy pre-suppositions of bureaucrats, politicians, academicians, media leaders, and top corporate management -- is by definition, resistant to change. After all, the elites in society generally gain from the power relationships and wealth arrangements of the status quo. They have the most to lose from genuine change. Elites frequently frustrate change, even when the general public strongly wants it.

Mass public opinion, on the other hand, is often diffuse and targeted to specific issues in isolation from other issues. Further, ordinary people will generally mobilize for fundamental change only after suffering a long series of provocations. For example, the anti-tax sentiments that are so strong today among American citizens evolved over a long period of encroaching governmental power. Thus, the state-based think tanks have adopted the two-pronged strategy mentioned earlier, i.e., to change public opinion simultaneously among the elite classes and the general public. To neutralize the resistance to change that comes naturally to elites, the think tanks publish sober, well-reasoned, academic studies. These books and "white papers" are rarely read by more than a few thousand citizens in a given state but, if read by the key opinion-molding elites, these publications can neutralize opposition and create the "psychic space" for a new idea to survive.

Likewise, the state-based think tanks take their message to the general public through op-ed articles in the commentary sections of leading newspapers, on "talk radio," through public service announcements, in mass mailings, and through speeches to civic organizations, and citizen rallies. As mass public opinion shifts toward a new idea, politicians will tend to follow. For example, term limits and educational choice are favored by 60-70 percent of Americans today. This has happened because organizations have presented these reform ideas through mass-media outlets and the proposed reforms have garnered support. That is why many politicians of different parties, though disposed to reject these reforms, have been careful to avoid outright opposition. When a large number of citizens are effectively mobilized on an issue, they tend to prevail.

The social dynamic of change also illustrates an important fact about human nature. When a corporation or industry, for example, faces a potentially damaging change in public policy, its "window of opportunity" to prevent that destructive policy is usually only a few months or years. My advice to corporate leaders in that situation is to hire the best lawyers and the best lobbyists available to protect their employees', their customers', and their stockholders' interests. However, most negative public policy changes take 5 to 10 years to reach fruition. Often bad ideas begin first among a narrow group of special-interest activists or in an academic or media setting. The idea incubates and grows for several years before it is codified in a proposed rule or a piece of legislation. How much better it would be if bad ideas were countered with good ideas during the formative period. And that is precisely what think tanks are best prepared to do: to

debate policy ideas on the editorial pages, university seminar rooms, and in the public forums before these ideas mature into laws.

An industry, a corporation, or an individual can, and should, overcome the natural tendency to neglect the war of ideas and to postpone legitimate "self-defense" until the threat of bad public policy is imminent. Think tanks are the logical vehicle for avoiding such neglect and for taking a long-range approach to the war of ideas.

The Next Stage: A New Domestic Policy

What might one expect in the coming decade from what is now a firmly established state-based think tank "movement"? The answer may be: "Nothing short of a revolution in American politics!" If free-market think tanks in the states can effectively change public policy in their own locales, they can also impact Washington and beyond. A domestic public policy agenda based on limited government, free-market economics, and traditional values will change Washington's domestic policy presuppositions and even go a long way toward restoring sound foreign policy as well. The agenda, then, of the state-based think tanks is quite similar to that of responsible citizens who would restore common sense to the political culture. It begins with bringing runaway government spending under control, lowering taxes to spur economic growth, and deregulating and privatizing everything from schools to street cleaning. Here is a brief tour through the domestic policy agenda that is capturing the states.

- **Spending Restraint.** The tendency in Congress and the state legislatures is to give in constantly to special-interest demands for more taxpayer dollars. The big spenders can be stopped by electing genuine statesmen, by limiting their terms of office, and by enacting constitutional limits on growth in government spending. When shaping state and local government budgets, policy makers should allow inflation-adjusted spending to grow no more than the growth of the population plus the average growth in the citizens' personal income.
- **Tax Reform.** The overall burden of taxation on the American economy must be reduced in order for the nation to compete effectively in the global marketplace. By current estimates, federal, state, and local governments now consume 40-50 percent of the income of Americans. Yet so much of the media discussion today is about how to raise, not how to cut, taxes. This must stop. Further, the type of tax levied has a significant impact on the efficiency and productivity of an economy. Sales taxes are better than income taxes. Highly visible taxes -- such as taxes on gas, goods, and retail services -- are better than complex, "hidden" taxes, such as value-added taxes. Many states are learning this lesson. Washington should, too.
- **Educational Choice.** Breaking the bureaucratic monopoly of the public schools has become a chief goal of many innovative reformers on the Right and the Left. The key "players" in this movement in the states are the state-based think tanks. Contrary to the claims of the bureaucrats, educational choice will improve rather than harm the public schools. By giving each parent a scholarship certificate, voucher, or tax credit, and allowing parents to choose the schools their children attend, educational choice will lead to greater diversity, competition, and innovation in all schools.
- **Health Care Reform.** While some groups call for an increased government role in Americans' health-care decisions, many state think-tanks have embraced a better idea: medical savings accounts. Operating like Individual Retirement Accounts, MSAs would allow families to save pre-tax income for ordinary medical expenses and to purchase low-cost insurance coverage for catastrophic illnesses. The medical savings account could be combined with a requirement that every citizen either purchase health insurance through an employer, group, or individual plan, or come under a government-contracted, "no frills" plan. If most people are directly involved in choosing and paying for their own health insurance, market forces will begin operating to keep costs in line.

- Crime and Drugs. Conservatives and liberals seem to have an emerging consensus: (1) lock up violent offenders and use creative alternative punishments for non-violent criminals, and (2) intervene earlier with at-risk youth.

- Environment. Think tanks are pioneering a new idea in natural-resource conservation: "free-market environmentalism." By combining market incentives and private property rights with legitimate government regulations, the new conservationists are discovering that the profit motive can lead to a cleaner world. State-based think tanks are providing the intellectual underpinnings for the hundreds of small property rights organizations that are springing up in the states. Likewise, the effort to eliminate regulatory excess must continue in the interests of furthering economic growth and job creation.

- Welfare Reform. The problems of the "inner city" will take decades to solve, but the path of "empowerment" is promising. Eliminate minimum wage laws that keep poor people out of the job market, sell public-housing apartments to the tenants in order to give people a stake in their community and its economy, establish incentives so that able-bodied welfare recipients are required to make an effort to become self-reliant or risk losing their benefits, and begin privatizing the welfare delivery system.

What, then, are the most promising ideas on the domestic policy agenda? Streamline government, limit terms of elected officials, lower taxes, privatize government services, give parents educational vouchers, reintroduce market forces to health care, get tough on violent crime, balance environmental goals with economic progress, and provide incentives for people to get off welfare. This is, in fact, the agenda of the state-based movement and these reforms are occurring primarily at the level of state and local public policy, not "inside the Beltway."

Conclusion

The social dynamic at work in the state-based think tank movement has its parallels at the national level, but, in my opinion, it is almost exclusively at the state and local level that far-reaching, positive change is possible today. The existence of a large and growing number of state public-policy institutions shows that the effort to reform the American political culture has shifted from an "Air Force strategy" to an "Army strategy." Therefore, the state-based think tanks are perhaps the most important vehicles for change in the 1990s. Combining their efforts with many other principled organizations, these state-based think tanks are winning the critical intellectual debates in defense of sound public policies based on freedom and empowerment.