

Think Tanks*

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Abstract

Do think tanks matter? Over the last 15 years a unique phenomenon appeared on the radar screen of America's political economic landscape: an explosion of state-based, free-market think tanks. Both the political right and left suggest that this explosion has had a major impact on size and activeness of state governments. This paper empirically investigates the impact of these think tanks on political economic outcomes. We use panel data that covers the U.S. states from 1997 to 2003 to examine the effect of state-based, free-market think tanks on eight policy objectives of these organizations. Our analysis finds that state-based, free-market think tanks have indeed had a considerable 'pro-market' effect on several of those political economic outcomes they aim to influence. These results suggest that ideas do in fact have consequences, and in the context of political economic policy in America, important ones.

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“Ideas have consequences.”

– Richard M. Weaver (1948)

1 Introduction

The notion that political and economic ideas can have a profound and lasting effect on the world is as old as ideas themselves. One need not go back this far, however, to find examples of the immaterial world of ideas seemingly having an important influence on the material world humans live in. The ideas of Karl Marx and Frederic Engels, for example, are often cited as having had a large and long-lasting impact on the political-economic system that dominated Eastern Europe for nearly 70 years. An antithetical set of political-economic ideas is considered largely responsible for the dissolution of this political-economic system throughout most of the globe in the late 1980s and early 1990s. When the Berlin Wall collapsed, for instance, the idea of freedom espoused most notably by American President Ronald Reagan was widely pointed to as instrumental in bringing about the fall of socialism.

Despite the importance often attributed to ideas for political economic outcomes, no one has attempted to empirically determine if ideas are in fact important determinants of public policy, and, if so, how important they are. In this paper we aim to shed light on both of these questions by examining the impact of “think tanks” on American public policy.

In the 1990s a unique phenomenon appeared on the radar screen of America’s political economic landscape: an explosion of state-based, free-market think tanks. Although the first of these appeared in the late 1970s, until the late 1980s/early 1990s, there were but a few, poorly-funded organizations in the U.S. In 1985 there were five state-based, free-market think tanks; today there are 48 such organizations in 42 states (State Policy Network 2007). In fiscal 2003

alone these organizations attracted more than \$300 million in donations for undertaking their activities. This is roughly \$50 million more than either the Republican or Democratic Party raised in “soft money” for the 2000 election cycle (Abboud and Crawford 2003).

Think tanks are research and educational organizations with the explicit goal of impacting American policy. As their name suggests, the state-based, free-market variety aim to affect state-level policy in the direction of greater economic freedom, which entails reducing the activeness of government and increasing the role of private markets in state affairs. State-based, free-market think tanks are in many ways modeled after their often more prominent but less numerous nationally-based cousins, such as the Heritage Foundation, the Cato Institute, and the Manhattan Institute.

As many left-leaning commentators have lamented, the state-based think tank phenomenon is nearly monopolized by right-leaning organizations. The overwhelming majority of state-based think tanks in America have “conservative” agendas (Rich 2006: 10). Indeed, between 1985 and 1995, state-based, free-market think tanks grew at a rate nearly 390 percent faster than their liberal counterparts (Rich 2006: 20-21). As a result, “There is no mainstream left-of-center parallel to the critical mass of conservative policy institutions currently operating in the United States today” (Callahan April 26, 1999). The vast majority of these think tanks is economically inclined and aims at decreasing the role of government in its state’s economic sphere and enhancing the role of private markets. In fact, rather than calling themselves “conservative,” most of these think tanks opt for the less politically-loaded, and more accurate label, “free market” or “market oriented.”

The surge of state-based, free-market (SBFM) think tanks has caused significant concern from left-leaning advocates and substantial celebration for proponents of free markets. Although

they sharply disagree over the desirability of this phenomenon, both sides see think tanks as playing an important role in shaping America’s political economic climate. As the author of a study that examined the free-market think phenomenon has pointed out, for instance, there is agreement on “both left and right, [that] their influence is inescapable—and, most agree, it is rising (Callahan April 26, 1999).

Despite the importance attributed to think tanks in influencing economic policy, no work has endeavored to establish if this attribution is in fact warranted.[†] This paper is the first to empirically investigate the impact of SBFM think tanks on economic policy. Using panel data for the U.S. states that covers the period from 1997 to 2003, we examine the impact of SBFM think tanks on the economic policies they seek to affect according to their mission statements. We find that SBFM think tanks are indeed important for economic policy and have significantly moved the political economy of the states they are located in towards greater reliance on markets and away from government activity on several important policy dimensions. Our results suggest that ideas do in fact have consequences, and in the context of political economic policy in America, important ones.

2 Data and Empirical Strategy

2.1 Data

To investigate the impact of think tanks on political-economic outcomes our analysis focuses exclusively on SBFM think tanks. We consider SBFM think tanks for several reasons. First, as discussed above, the overwhelmingly majority of state-based think tanks in the U.S. are market

[†] A handful of books broadly consider this issue (see, Rich 2006; Smith 1993; Abelson 2002; Ricci 1993; Stefancic and Delgado 1996). However, none of these empirically analyze think tanks’ impact on public policy and all focus primarily on national rather than state-based think tanks.

oriented, meaning they aim at reducing the role of government and increasing the role of the private sector in state economies. While there are several right-leaning state-based think tanks that aim to affect non-economic variables, such as “family values,” these are few compared to those interested in economic outcomes. Second, focusing on think tanks interested in affecting economic reform allows us to easily assess whether or not think tanks have influenced American policy. Measuring whether or not government spending in a particular state has grown, shrunk, or stayed the same as a result of think tank spending, for example, is objective and straightforward. In contrast, attempting to measure whether or not a think tank with the goal of “strengthening the family” or “fortifying traditional values” has achieved its ends is subjective and far less clear.

Think tanks are non-partisan, non-profit research and educational organizations. Legally, the IRS classifies think tanks as 501(c)(3) organizations, which are tax exempt. In order to secure this status the IRS requires that a 501(c)(3) organization “not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates” (IRS 2007). Thus, think tanks are legally prohibited from lobbying or supporting candidates for public office. Their influence on economic policy is therefore indirect and operates through influencing individuals’ ideas about what government should or should not be doing. By conducting and publishing research studies, editorials, and disseminating their views and specific policy suggestions through other forms of media, think tanks aim to inform and persuade both elected officials and citizens in their states of the correctness and desirability of their policy prescriptions.

SBFM think tanks vary in the strategies they undertake toward this end. Some focus more on scholarly studies that deal with specific policy issues in their state in the hope that state

congressmen will read it and use it to craft the appropriate reforms. Others focus more on reaching the public in their states in the hopes that doing so will shape the ideological disposition of voters, which in turn will pressure political agents to conform to these preferences. Most SBFM think tanks engage in both types of activities, producing some more targeted policy-specific research studies and some more generic popular pieces on the benefits of greater reliance on markets and/or potential problems of relying more heavily on the state for economic progress.

Our analysis uses panel data for the U.S. states from 1997 to 2003. To estimate the impact of SBFM think tanks on economic policy we need a measure of SBFM think tank activity. The number of ‘products’ created or disseminated by each SBFM think tank is one possibility. However, this is difficult to measure since what constitutes one unit of ‘product’ is unclear and the quality of product may vary substantially across think tanks. For this reasons, we seek an objective, comparable, and easily-measured unit of think tank activity. Think tank annual expenditures provide such a metric.

To construct this variable we collect data on SBFM think tanks’ finances from the IRS. Since think tanks are classified as federally tax-exempt organizations under section 501(c)(3) of the Internal Revenue Code, they must file a Form 990 to the IRS reporting their annual revenues and expenditures. Under federal law these tax forms are public information, which we draw on to create our measure of SBFM think tank activity.[‡] To create this measure we also require data on the location of each SBFM think tank filing the Form 990. We get this from the State Policy Network, the professional service organization that acts as central hub connecting all SBFM think tanks in the country. We exclude a small number of think tanks primarily interested in policy objectives unrelated to the economy. So, for example, “family values” think tanks, which

[‡] These data contain a few holes in certain years. We fill these holes using the linear average of the think tanks’ expenditures the year before and after the missing observation.

are right-leaning but not concentrated on increasing economic freedom in their state, are not included in our analysis. After constructing these datasets we tabulate the total expenditures made by all SBFM think tanks in each state in each year and divide this number by state population (in thousands) creating a variable that measures annual, SBFM think tank expenditures per 1,000 residents in each state for each year in our sample period. Collecting data for our other independent variables, which include the political composition of each state's legislature, and a binary variable equal to one when a state legislature has a majority that of the same political party as the governor and zero otherwise, is more straightforward. We obtain these data from the *Book of the States*.[§]

To investigate the influence of think tanks on state-level economic policy we consider a range of dependent variables, selected by examining the mission statements of SBFM think tanks, which identify the policy objectives of their organizations. While the particular policy emphasis varies somewhat across SBFM think tanks, the broad objectives they identify are very similar. In all cases, they point to limiting the role of government and enhancing the role of the private sector in the state. For example, according to the mission statement of The Buckeye Institute for Public Policy Solutions in Ohio, the Institute's goal is to "analyze state and local government programs, taxes, and regulations in Ohio and offer policy alternatives consistent with a respect for individual liberty, private property and limited government." According to the mission statement of the Commonwealth Foundation of Pennsylvania, "The purpose of The Commonwealth Foundation is to be the vanguard of freedom and conscience of liberty in the state of Pennsylvania. The mission of The Commonwealth Foundation is to improve the quality of life for all Pennsylvanians by advancing public policies based on the principles of limited

[§] Since Nebraska has a unicameral legislature and legislators do not have party affiliations, Nebraska is excluded from our sample.

government, economic freedom, and individual responsibility.” Similarly, the Oklahoma Council of Public Affairs describes its mission as follows: “OCPA’s mission is to accumulate, evaluate, and disseminate public policy ideas and information for Oklahoma consistent with the principles of free enterprise, limited government, and individual initiative.” Sometimes, though not always, specific issues are given special attention. The Arkansas Policy Foundation’s mission, for example, points specifically to issues of taxes and education as areas it hopes to impact in the direction of free-market reform.

On the basis of SBFM think tank mission statements, we collect data for eight economic policy variables that allow us to measure think tanks’ impact on state political-economic outcomes. These policies fall into three general categories: tax policy, government spending, and privatization. For tax policy we consider the effect of think tank expenditures on state-level sales taxes, top marginal income tax rates, and bottom marginal income tax rates. For government spending we consider: overall government spending as a percentage of GSP, education spending per capita, and public welfare spending per capita. Finally, to measure think tanks’ effect on privatization we consider the number of state public employees (per 1,000 residents) and state public employee wages. This is an imperfect proxy for privatization, but should provide a reasonable measure of how many activities are undertaken by government vs. the private sector in each state. Data for each of these variables are from the *Book of the States*.

2.2 Empirical Approach

Our empirical strategy is straightforward. To investigate the effect of SBFM think tanks on the economic policies they aim to impact, we consider the relationship between think tank expenditures (\$, per 1000 residents) in each state over time and the status of each state’s

political-economic climate over time using the range of dependent variables discussed above. We search for the effect of SBFM think tanks on economic policy exploiting variation across states and over time estimating the following two-way fixed effects model with standard errors clustered by state:

$$\text{Economic Policy}_{i,t} = \alpha + \beta \text{Think Tank Expenditures}_{i,t-j} + \mathbf{Z}_{i,t} \gamma + \varepsilon_{i,t}$$

where $\text{Economic Policy}_{i,t}$ is the one of the economic policy measures discussed above for state i in year t ; $\text{Think Tank Expenditures}_{i,t-j}$ measures SBFM think tank expenditures per thousand residents in state i in year $t - j$, β is our parameter of interest, and $\mathbf{Z}_{i,t}$ is a vector of control variables which includes, political party composition of each state's legislature, and a binary variable equal to one when a state legislature has a majority that of the same political party as the governor and zero otherwise. We include a comprehensive set of year-specific fixed effects to control for any unobserved features that are constant across states but change over time, which might impact the economic policy variables we consider. Similarly, we include a comprehensive set of state-specific fixed effects to control for any unobserved differences across states that may help to explain the differences in their political-economic climates. $\varepsilon_{i,t}$ is a random error term.** If SBFM think tanks exert a “pro-market” impact on the economic policies they aim to affect, our coefficient of interest, β , should be negative and significant.

It is important to lag our think tank expenditures variable since, if think tank activity in fact has an impact on policy, it will take some time for this activity to translate into outcomes.

** As a robustness check, we try rerunning all of our regressions controlling for GSP per capita. We exclude GSP per capita in our main regressions because of the obvious endogeneity problem it presents. Although several specifications that generate significant results without GSP per capita lose significance when this we control for this variable, in general our results are very similar.

No think tank activities could be expected to have immediate policy effects. Scholarly studies, popular writings, educational seminars, and media appearances all take time to shape policy, if they do so at all. Some of these activities may also have cumulative effects in shifting policymakers' or the public's opinions. Think tanks spending started three years ago combined with think tank spending two years ago and one year ago may slowly move the center of opinion on a particular issue over these three years, surpassing some critical threshold only in the fourth year that culminates in finally catalyzing political movement toward reform that initiates the reform process for that issue. Further, the policy reform process itself takes time. Governmental decision making and policy implantation can sometimes move notoriously slowly. Tax cuts, spending reductions, and so forth do not appear immediately even when policymakers have decided to shift economic policy in this direction. For these reasons, lagging think tank expenditures is important.

Unfortunately, knowing that we need to lag our think tank expenditures variable does not tell us the appropriate lag period to use. There is no theory that suggests the appropriate lag structure for the relationship between activities undertaken to change people's ideas and the time when we should expect to observe such changes in policy, if the activities have been successful. Further, the appropriate lag structure when considering one dependent variable is likely to be different for others. It may take less time for think tank spending to influence sales tax policy, for example, than it takes for the same spending to influence educational spending. Similarly, some policy changes make take more time for government to implement, even after they have been decided upon, than others. For instance, budgetary or other concerns may make it easier for some states to implement tax cuts quickly than it is to implement expenditure cuts. All of this means that the appropriate lag structure when considering think tanks' impact on one policy variable

may be different for another. In short, there is no way to know the appropriate lag duration for think tank spending *a priori*. For these reasons, our model does not impose a specific lag structure on the relationship between think tank spending and various economic policies that think tanks aim to affect. Instead, we let the data tell us about this lag structure by considering specifications that use different length lags for our independent variable of interest. We try lagging think tank expenditures one, two, three, and four years.

One potential problem our model may pose is endogeneity. SBFM think tanks may locate in less economically free states on the grounds that their presence is most needed where economic freedom is the lowest. Ideally, an instrumental variables approach could remove potential endogeneity. However, we experimented with a number of potential instruments, including the number of self-described libertarian academics in each state, which might be important since these are the primary researchers who supply the studies SBFM think tanks produce, the number of annual *Reason* magazine subscriptions in each state, again to try and proxy for the number of free-market minded individuals who might be useful SBFM think tank employees, tax-deductible contributions to philanthropic organizations in each state, since they may help to explain think tank revenues and spending, and several others, but in each case we confronted the same problem—poorness of fit of in the first stage. None of these variables are highly correlated with SBFM think tank expenditures and uncorrelated with economic freedom.

Fortunately, two features of our model aid in overcoming the potential for endogeneity described above. First, since it is not possible to go back in time, lagging our independent variable means that, strictly speaking, our dependent variable—some economic policy in time t —cannot actually influence our independent variable, think tank spending in time $t - j$. Second, because we consider the relationship between SBFM think tanks and *highly-specific* economic

policies, reverse causality is unlikely to significantly influence our results. Although a SBFM think tank might locate in a state with lower overall economic freedom, there is no reason to think such a think tank would locate in a particular state because, for instance, it has high sales taxes. SBFM think tanks may be more attracted to states with relatively unfree overall economic climates; but it is unlikely that they are more attracted to states on the basis of the highly-specific economic policies we consider.

3 Think Tanks and Economic Policy at a Glance

A casual look at the data suggests that there is a connection between think tank activity and the “pro-marketness” of states’ economic policy. Figure 1 illustrates the relationship between states’ SBFM think tank expenditures (\$, per 1000 residents) in 2001 and their overall level of economic freedom in 2003 measured using the Fraser Institute’s *Economic Freedom in North America* index. The raw data depict a positive relationship. States with higher think tank expenditures are more economically free than those with less think tank expenditures. Figure 1 provides limited evidence that SBFM think tanks may matter for economic policy. However, this figure does not control for any other factors that might account for the positive relationship between think tank activity and economic freedom. Further, since this figure considers the relationship between SBFM think tank activity and the overall political-economic climate across states, as noted above, endogeneity may be influencing the pattern observed here. To more precisely determine what impact think tanks have on economic policy we need to isolate the relationship between SBFM think tanks and the specific policy objectives they aim to affect econometrically.

4 Think Tanks' Impact on Economic Policy

In Table 1 we consider SBFM think tanks' influence on state-level tax policy. We consider the height of state-level sales taxes, the bottom marginal state income tax rate, and the top marginal state income tax rate. The top panel in Table 1 examines sales taxes. Greater think tank spending is associated with lower state sales taxes in both the one-year and the four-year lag specifications, though only significantly in the former. This suggests state sales taxes may be influenced relatively quickly by think tank expenditures. However, the size of this effect is relatively modest. In column 1, moving from a state with no think tank expenditures to the state with the largest average annual think tank expenditures (per 1,000 residents) is associated with a 6.5 percent fall in the average state's sales tax. This represents a 0.18 standard deviation reduction in the average state's sales tax.

In the middle panel of this table we consider the bottom marginal state income tax rate. Here, greater think tank spending is associated with lower bottom marginal tax rates using all four lag specifications, though only significantly in the specification that uses a two-year lag on think tank expenditures. Here, however, think tank spending has a larger effect. In column 2, which considers two-year lagged think tank expenditures, moving from a state with no think tank expenditures to the state with the average annual largest think tank expenditures (per 1,000 residents) is associated with a 29 percent, or 0.37 standard deviation, reduction in the average state's bottom marginal income tax rate.

The bottom panel in Table 1 examines the relationship between think tank spending and the top marginal state income tax rates. Greater think tank spending is again associated with lower marginal tax rates using all four lagged think tank spending variables. However, none of

them are economically significant. Taken together, the results in Table 1 suggest that think tanks have not had only very modest effect on state sales taxes and essentially no impact on states' top marginal income rates. However, think tanks have had some effect on states' bottom marginal income tax rates, which suggests at least partial SBFM think tank success on state-level tax policy.

Table 2 investigates the relationship between think tank spending and various forms of state-level government spending. In the top panel of Table 2 we consider how think tank spending has influenced total state-level government expenditures per capita. Higher think tank spending is associated with lower total government spending using all four lag specifications and is significantly so in three of the four. Depending upon the lag duration one looks at, an additional \$1 per 1,000 state residents in SBFM think tank spending is associated with between \$1.14 and \$1.42 less total government spending per capita. In column 2, for instance, moving from a state with no think tank expenditures to the state with the largest average annual think tank expenditures (per 1,000 residents) is associated with an 11.4 percent fall in the average state's total government spending per capita. This represents a 0.42 standard deviation reduction in total government spending per capita.

In the middle panel of Table 2 we examine how think tank spending is related to state-level government spending on education per capita. In all four specifications, higher think tank spending is associated with lower government spending on education. This relationship is significant using the 3-year and 4-year think tank spending lag specifications, which suggests that it may take longer for think tank activity to affect education spending. The effect here is sizeable. An additional \$1 in SBFM think tank spending per 1,000 state residents is associated with between \$0.34 and \$0.59 less government spending on education per capita. In column 4,

for instance, moving from a state with no think tank expenditures to the state with the largest average annual think tank expenditures (per 1,000 residents) is associated with a 13.5 percent, or 0.64 standard deviation, fall in the average state's government spending on education per capita.

In the bottom panel of Table 2 we examine the connection between think tank spending and per capita state-level government spending on welfare. Higher think tank spending is again associated with less government spending on welfare using all four think tank expenditure lags, significantly so using the 1-year and 2-year lagged variables. Similar to the other effects of think tank spending on state-level government spending in Table 2, this effect is economically considerable. An additional \$1 in SBFM think tank spending per 1,000 residents is associated with \$0.77 less state-level welfare spending per capita. Moving from the state with no think tank expenditures to the state with the largest average annual think tank expenditures (per 1,000 residents) is associated with a 51.5 percent less welfare spending per capita in the average state. This represents a 0.93 standard deviation reduction in welfare spending per capita. Although SBFM think tanks have not had only a small effect on state-level tax policy, our results in Table 2 suggest that they have had an important effect on state-level government spending consistent with their missions to reduce state-level government expenditures. In states with more SBFM think tank spending, government spending is lower.

Table 3 presents our results for the final major economic policy area SBFM think tanks aim to affect: privatization. To get at this, we consider the relationship between think tank spending and the number of state public employees (per 1,000 residents) and the level of state public employee wages. The top panel of Table 3 looks at the number of full-time state public employees. Greater think tank spending is associated with fewer public employees in all four specifications and significantly so in each case. In column 2, for example, moving from a state

with the no think tank expenditures to the state with the largest average annual think tank expenditures (per 1,000 residents) is associated with a seven percent, or 0.18 standard deviation, decrease in the average state's number of state-level public employees (per 1,000 residents).

The bottom panel in Table 3 presents our results that examine the relationship between think tank spending and state-level public employee wages. More SBFM think tank spending is associated with lower state-level public employee wages using all four lag specifications, and significantly so using the two-, three-, and four-year lagged think tank expenditures regressions. In column 3, for instance, moving from the state with no think tank expenditures to the state with the largest average annual think tank expenditures (per 1,000 residents) is associated with a 10 percent reduction in the average state's public employee wages. This represents a 0.23 standard deviation fall in public employee wages. To the extent that the magnitude of public sector employment and the level of public employee wages are a reasonable proxy for state-level privatization, the results in Table 3 suggest that SBFM think tanks have had a significant influence on privatization in their states in the direction they aim to achieve. Think tanks' impact on privatization is not as impressive as their impact on government spending, but neither is it negligible, suggesting that think tanks have also had some effect on scope of private- vs. government-managed activities in the U.S. at the state level.

5 Concluding Remarks

Our analysis leads to several conclusions. First, the evidence this paper finds accords with the common but untested intuition that ideas can in fact have important policy consequences. Although the influence of SBFM think tanks on economic policy has not been uniformly significant, on state-level government spending policy—in particular as related to education and

welfare—SBFM think tanks have had an economically important impact. Our analysis is unable to identify which specific channels think tanks have been most successful at using to shape policy in a ‘pro-market’ or ‘less-government’ direction. It would be interesting, not only for think tanks, but also for political economists, to establish whether SBFM think tanks have achieved most of their influence by persuading policymakers on certain issues, providing the research needed for certain policymakers to point to for convincing their colleagues to help push through ‘pro-market’ legislation they might support for other reasons, or if instead think tanks have succeeded in changing the public’s mind on some issues, which in turn has led the public to support reforms that reduce government activity in their states. Future research investigating these questions could shed much-needed light on the political economy of reform and social change that might have relevance not only for the U.S., but for transitioning economies struggling to reform in the developing world as well.

Further, our results suggest that the growth and dominance of free-market, state-based think tanks in America may in fact be a legitimate cause for concern for the political left and a legitimate cause for celebration for the political right. If the state-based think tank phenomena continues to be dominated by the proponents of limited government in the future to the same extent that it has been dominated by such proponents over the last 15 years, at the often-ignored state level, at least, there is good reason to expect that economic policy will continue to move toward greater reliance on the private sector and less reliance on the public one. Indeed, the continued monopolization of state-based think tanks by the advocates of free markets could, over the next decade or two, have a major impact on the climate of the United States’ political economy. Whether or not one sees this as desirable, of course, depends upon one’s thinking about the proper role of government. But no matter what one’s views, our results suggest that the

influence of SBFM think tanks is something that those on both sides of the ideological spectrum would do well to pay close attention to.

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Figure 1. Think Tank Expenditure and State Economic Freedom

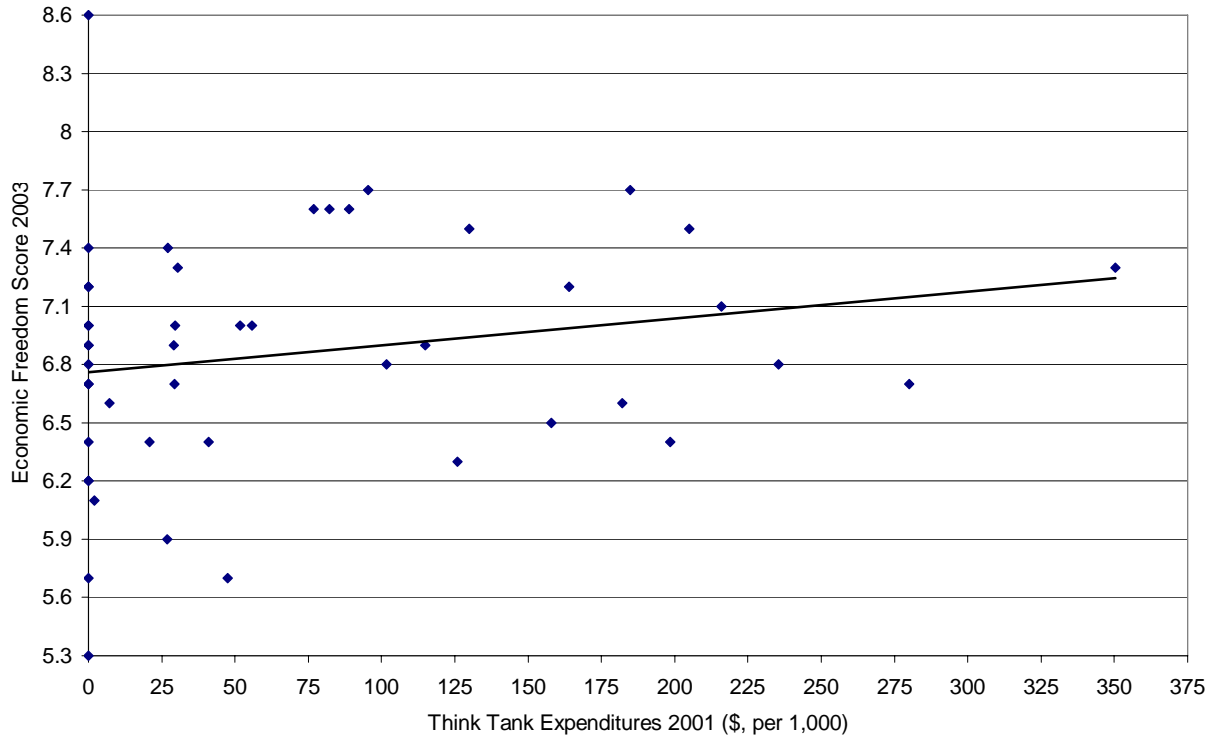


Table 1. Think Tanks and Tax Policy

	1	2	3	4
	1-year lag	2-year lag	3-year lag	4-year lag
<i>Sales Tax Rate</i>				
Think tank expenditures (\$ p/1000)	-0.00091* (0.00055)	0.00018 (0.00047)	0.00052 (0.00065)	-0.00046 (0.00123)
% legislature Republican	0.00021 (0.00440)	0.00732 (0.00571)	0.01085 (0.00819)	0.00096 (0.00907)
Governor and legislature Republican	-0.05060 (0.03634)	-0.06723 (0.05649)	0.00725 (0.03828)	0.04669 (0.06507)
Observations	310	264	218	172
R-squared	0.14	0.14	0.16	0.15
<i>Bottom Marginal Income Tax Rate</i>				
Think tank expenditures (\$ p/1000)	-0.00130 (0.00104)	-0.00174* (0.00099)	-0.00264 (0.00162)	-0.00567 (0.00356)
% legislature Republican	-0.00036 (0.00512)	0.01572 (0.01402)	0.02700 (0.02090)	0.02005 (0.02258)
Governor and legislature Republican	-0.02786 (0.02859)	-0.08854** (0.03730)	-0.11318** (0.05623)	-0.08438 (0.06485)
Observations	310	264	218	172
R-squared	0.06	0.09	0.14	0.21
<i>Top Marginal Income Tax Rate</i>				
Think tank expenditures (\$ p/1000)	-0.00213 (0.00253)	-0.00143 (0.00234)	-0.00401 (0.00420)	-0.01273 (0.00968)
% legislature Republican	-0.01485 (0.01317)	0.03104 (0.03856)	0.07929 (0.05792)	0.07567 (0.06966)
Governor and legislature Republican	0.01206 (0.05859)	-0.14075 (0.08121)	-0.24941 (0.15764)	-0.20582 (0.16410)
Observations	310	264	218	172
R-squared	0.04	0.04	0.09	0.14

Notes: OLS (robust standard errors in parentheses) with state and year fixed effects. *** = 1%; ** = 5%; * = 10%.

Table 2. Think Tanks and Government Spending Policy

	1	2	3	4
	1-year lag	2-year lag	3-year lag	4-year lag
<i>Total Government Spending p/c</i>				
Think tank expenditures (\$ p/1000)	-1.18557*** (0.44675)	-1.41926*** (0.44664)	-1.14035** (0.58319)	-1.04290 (0.71950)
% legislature Republican	23.84303*** (4.78454)	17.86730*** (5.47341)	5.47171 (10.21018)	3.82705 (10.56210)
Governor and legislature Republican	-42.93975 (32.36201)	-43.94377 (28.22024)	-24.88069 (29.35388)	-18.47659 (31.38674)
Observations	310	264	218	172
R-squared	0.62	0.45	0.21	0.21
<i>Government Spending on Education p/c</i>				
Think tank expenditures (\$ p/1000)	-0.12631 (0.23491)	-0.15844 (0.14922)	-0.33539* (0.17497)	-0.59110*** (0.21411)
% legislature Republican		1.97922 (1.94704)	-2.12620 (4.09575)	-1.79168 (4.08362)
Governor and legislature Republican	15.57290 (18.2290)	-11.22281 (13.93686)	-0.27269 (12.39207)	-0.12807 (13.29957)
Observations	310	264	218	172
R-squared	0.75	0.73	0.68	0.69
<i>Government Spending on Welfare p/c</i>				
Think tank expenditures (\$ p/1000)	-0.76570** (0.31902)	-0.77504** (0.38667)	-0.40733 (0.50859)	-0.22128 (0.55803)
% legislature Republican	6.15123*** (2.23738)	8.46573*** (3.23583)	12.93184*** (4.10648)	0.06572** (4.01907)
Governor and legislature Republican	-12.53400 (16.68818)	-37.21522 (18.61154)	-40.84841* (20.91496)	-30.32961 (20.50199)
Observations	310	264	218	172
R-squared	0.67	0.65	0.58	0.56

Notes: OLS (robust standard errors in parentheses) with state and year fixed effects. *** = 1%; ** = 5%; * = 10%.

Table 3. Think Tanks and Privatization Policy

	1	2	3	4
	1-year lag	2-year lag	3-year lag	4-year lag
<i>Number of Government Employees (p/1000)</i>				
Think tank expenditures (\$ p/1000)	-0.00244* (0.00146)	-0.00388*** (0.00131)	-0.00381*** (0.00133)	-0.00247* (0.00136)
% legislature Republican	-0.00145 (0.01575)	-0.01311 (0.01471)	-0.02053 (0.01644)	-0.04499* (0.02456)
Governor and legislature Republican	-0.15572 (0.18760)	-0.15509 (0.20274)	-0.16585 (0.15700)	-0.03479 (0.12409)
Observations	310	264	218	172
R-squared	0.03	0.04	0.05	0.06
<i>Government Employee Wages</i>				
Think tank expenditures (\$ p/1000)	-0.00286 (0.00595)	-0.01169** (0.00529)	-0.01326** (0.00536)	-0.00956* (0.00566)
% legislature Republican	0.07177 (0.07281)	0.05384 (0.07134)	0.02519 (0.07815)	-0.01778 (0.07089)
Governor and legislature Republican	-1.29852* (0.78240)	-1.96202** (0.99112)	-1.88841** (0.94938)	-1.01303 (0.75223)
Observations	310	264	218	172
R-squared	0.40	0.27	0.13	0.09

Notes: OLS (robust standard errors in parentheses) with state and year fixed effects. *** = 1%; ** = 5%; * = 10%.