

Forbes

Thinking About Think Tanks: Which Ones Are The Best?

By: Alejandro Chafuen – January 23, 2013

The history of the London exchange dates back to 1698. John Castaing, a pioneer of a Starbucks of sorts, started listing stock and commodity prices in his Jonathan's Coffee-house. In 1773, brokers erected their own building nearby, and soon their place was named "The Stock Exchange." Companies were very diverse, evaluating them was essential to decide where to invest. Interest (or nominal yield) and risk were the two main factors. It took centuries for the price/earnings ratios and other indices to evolve.

When new institutions and corporations emerge, it is always difficult to find the proper measurement to appraise them. In the early years of the information technology revolution, it was a hard task to estimate the value of a company—and as the latest Facebook IPO shows, it is still a challenge. At almost the same time of the emergence of this revolution, another more modest "industry" was about to take off: public policy think tanks.



Cato Institute ranks among the top free-market think tanks in North America. (Photo credit: Wikipedia)

And what about them? Some think tanks are obviously more effective than others. Evaluating, measuring, or estimating their outcomes, and ranking them, has not been easy for their donors, one of their main clients. In 1985 I joined a foundation devoted to help start and support market-oriented think tanks. Since then I have been tracking and trying to evaluate market-oriented think tanks.

A "market-oriented" think tank is grounded on the reality that respect for private property within a context of rule of law with limited government has been the path for the wealth of nations. Think tanks that are not market-oriented study how to redistribute wealth, how to increase taxation, or the optimum rate of monetary debasement. Governments have typically relied on their own internal think tanks for that research, and complemented it by research from

state-subsidized universities. Market-oriented think tanks focus on finding private solutions to public problems.

After a long career helping support and giving advice to think tanks around the world, Dr. James McGann, at the University of Pennsylvania, recently began compiling a comprehensive list of think tanks. The first list, released in 2006, had no evaluations. He soon asked those who nominated think tanks to rank them. The list of nominators and evaluators has grown to over 1,000. Like with any index or ranking, there is much to improve and the authors always welcome constructive advice. A preliminary version of the “2012 Global Go To Report” was released last week at the World Bank and the United Nations. It can be found on line at www.GoToThinkTank.com.

Public policy experts nominated 1,647 think tanks. The top of the rankings include 90 market-oriented, non-profit think tanks. Heritage Foundation, Cato Institute, American Enterprise Institute (AEI), and the Fraser Institute (Canada), lead in votes for North American free-market think tanks. If we combine their budgets, these four represent over \$100 million in income, over one million supporters, and approximately 500 staff members and scholars. All these institutes were ranked among the best in 10 or more categories. The Hoover Institution, at Stanford University, was ranked in first place among university-based centers. Brookings was first in the overall ranking.

Outside the United States and Canada, Latin America has the highest percentage of market-oriented institutes scoring well. Libertad y Desarrollo, in Chile, was listed in 11 categories. It was followed by CEDICE (Venezuela) and CEP (Chile), both with six credits each. In the rest of the world, IMANI (Ghana) scores in seven fields, slightly ahead of the powerful FAES (Spain), the Adam Smith Institute (U.K.), and the smaller Unirule (China), all with six.

Being the oldest and having a great tradition does not necessarily help getting votes from peers. The Foundation for Economic Education, founded in 1946, and the Institute of Economic Affairs (U.K.), founded in 1955, the granddaddies of many think tanks, scored only once. An offshoot of the latter, Civitas (U.K.), scored in five different categories.

The “Go To” report is preceded by a lengthy analysis with valuable comments and insights. One of the challenges mentioned is that “governments are creating think tanks that are designed to appear to be non-governmental organizations but are in fact arms of the government. Likewise, corporations and individuals have established think tanks to promote their special interests. This trend raises concerns about a lack of transparency and private interest masquerading as public interest.”

It will take at least one more decade to refine tools to further measure think tanks. James McGann and his team of young collaborators deserve credit for encouraging this discussion. If successful, you will not be able to buy stocks in these think tanks, but you will be able to allocate your donations and spend your reading time more wisely.