



A Pioneer Among State Think Tanks

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Remarks given by Lovett C. "Pete" Peters, Founding Chairman of Pioneer Institute, at the State Policy Network/Atlas Economic Research Foundation New England Regional Leadership Development Workshop in Boston, June 5, 2003. I was asked first just to tell you a little bit about the history of Pioneer. In the mid-80's, I sold out of the oil business.

I was 75 years old, and I didn't want to play golf for the rest of my days, and I ended up deciding that I wanted to start a state-based think tank, based on the model of the Institute for Economic Affairs (IEA) in London. Those of you who don't know that history will find this interesting.

A fellow named Antony Fisher, who was a much-decorated British fighter pilot in World War II, came out of the war. England was turning sharply left and he decided to run for Parliament and help set things straight. At that time Friedrich Hayek had just published *The Road to Serfdom* and Hayek was teaching at the London School of Economics. So in due course, Antony Fisher went to see Hayek (they're both very tall men) but essentially, Hayek patted him on the head and said, "Young man, you're wasting your time. You have to change the intellectual climate before you can change the political climate, and the intellectual climate in England is all bad." So the long and short of it is that Antony Fisher went into the chicken business and became a kind of a junior Frank Purdue in England. He sold out the business in the mid-50's, and in 1957, he founded the Institute for Economic Affairs. He hired two college professors -- Ralph Harris and Arthur Seldon -- and they started out to change the British intellectual climate toward much more limited government. Twenty-two years later Maggie Thatcher came into power. That success was what attracted me to the IEA model. I had asked Antony Fisher to come to Boston to sit with 40 of my friends who were holding a preliminary meeting about starting Pioneer. And a week before he was to come, his doctor told him he couldn't travel any more. His heart was too bad, and unfortunately three months later he was gone. But in any event, he sent John Blundell (current General Director of the Institute of Economic Affairs). We got Pioneer started in 1988, and it's been going ever since.... not doing too badly either.

Now, I am up here kind of like the fellow that was sent out of the state agricultural college to get farmers to come in and learn how to be better farmers. And he was working on this chap way out in the boondocks. "You need to come. You can learn about hybrid seeds - about these seeds that kill all those worms that eat corn, and etc., etc. Come back and learn the modern way." And the old farmer just shook his head. So the fellow from the agricultural college asked, "Well, why not?" The farmer said, "Look young man, I ain't farming half as well now as I know how."

Well, I think most of us aren't selling our ideas half as well as we know how, so I offer you five points to think about:

First Point: PLAN LONG TERM

I said when I took over Pioneer, my quip was, "It took 50 years to get into this mess, and it will take another 51 to get out." Now it doesn't mean you ought to plan some 51 years ahead. But you sure are going to need to plan for next year, and the year after, and have an idea where you're headed five years down the road. That is the basic strategy that helps to plan work. The second part of that is: Don't try to do too much. By doing a few things well - you will succeed. You have to have successes to attract donors. It's fine to say, "We did a nice study! Look - it's beautiful!" But the donor's answer almost always is, "But what did it accomplish?" And finally, you've got to be thinking about how you can turn your product into something that changes the intellectual climate.

Second Point: BE OPPORTUNISTIC

Be opportunistic - because you can have opportunities handed to you that you weren't looking for and weren't part of the plan. And this is where Steve Adams (Pioneer's current President) and I get into problems because I've got more good opportunities that he has space in Pioneer to take advantage of! But let me just tell you about a few things. We just had our 12th Better Government Competition - the first one, in 1991. That one came to us as an idea from a fellow who worked for John Blundell. We had to change the idea some but essentially, we put it into action and it worked beautifully. It's been adopted by eight other domestic think tanks and two or three foreign countries - I know of Canada and the UK. The Argentines were going to do that but I don't know if they have. But the Better Government Contest idea just showed up, and it was such a good idea. I had to bludgeon both Charlie Baker Jr. and Ginny Strauss to get them to agree to do it! Once it happened, it was great and they became enthusiastic.

Charter schools came about somewhat the same way. We were pushing charters and parental choice because education has been half of Pioneer's efforts since day one. But in 1993, the state was passing an enormous commitment to education; increasing it by \$200 million a year over seven years. And that represented an opportunity to sneak in authorization of some charter schools. The teachers union wanted that \$200 million so badly that we were able to get a camel's head under the authorization tent. That was largely due to help of one of our directors named Bill Edgerly who picked this up, pushed hard and got it passed. The third one is the one we're on right now - In Massachusetts the courts are not allowed to run themselves - they don't get an appropriation from the legislature saying, "You run your courts." They are run by the legislature directly. In normal states, there will be a single appropriation by the legislature saying "Here's \$714 million... Go run your courts." Massachusetts has a budget for the court system of 179 line items. Why? Because a legislator has got a contributor/supporter who would like to be a probation officer in a certain district, so the legislator adds to that district's budget a specific new probation officer at a high salary. In the last four years there have been 416 of those jobs created in the court system. Of course, these were never asked for by the courts-- Pioneer's highlighting of this practice is "good government," pure and simple! Pioneer has the support of the League of Women Voters and Common Cause and some other people. We're having a terrible time getting the lawyers to step up and support us. They say, "Oh yes, we're all for you. But you understand that we need to obtain favors from the legislature. So we don't want to be out front." But we're finally getting one law firm to agree on holding a major conference on this next week. But we're probably going to have to work on independence for the state courts for a considerable period of time. Today the goodies are in the legislature's hands, and they like it that way.

Pioneer had one great failure in opportunism. Massachusetts is building an \$800 million convention center supported by junk science, labor unions, and entities catering to tourists. Pioneer brought in the best experts in the world, who said it was a boondoggle of the worst order - it won't work, it will never attract enough business and we're going to lose a bundle. Now it's being built in South Boston. While we were right, our reasoning didn't take with the public or policy makers. Soon hopefully, everybody has to finally admit it or it ought to be torn down or agree to enormous annual subsidies. At that time, Pioneer might be given credit. Perhaps then more people will pay closer attention to Pioneer's recommendations!

Third Point: NEVER GIVE UP

Kind of what I have already said is, "Never give up." Take this court system situation in our state: we're absolutely right. The system is utterly against this, but you'd better keep pushing. Push today; find a different kind of way to push it tomorrow. See if you can get a friend who will join you. But don't give up, if you're right - just keep pushing, because finally you're likely to win.

Fourth Point: ONE BRICK AT A TIME

Keep free market principles - individual liberty and responsibility -- clearly in mind, but also recognize that what we are talking about is changing the intellectual climate, which is in this case - a political situation. And in politics, there are no absolutes. So while it would be wonderful to have everything just as the founding fathers thought it ought to be, we are going to have to disassemble pieces of this - one brick at a time. It can't be done with a bulldozer and wiped away. Take one brick away at a time - keep that in mind and keep moving forward.

Fifth Point: PUT YOUR TRUST IN YOUNG BRIGHT HOPES

Put your trust in young bright hopes. They are difficult to manage, they know too damn much, but they have energy

and enthusiasm. Part of the think tank's job is to develop them. We don't try to keep them at home - we don't expect to. David Tuerck here used to work for Pioneer - he's now got his own think tank (Beacon Hill Institute). Bob Chatfield who was here earlier - he's now treasurer of a Maine think tank. We've got three people in the Romney administration. The latest of which is Charlie Chioppo, who is Policy Director for Governor Romney. We've turned out 10 or so people over 15 years and that's an important contribution. If they have been well trained, they will be a credit to you and to the Liberty movement.

So we're 15 years down the road... we've come a long way on K-12 education. Let me recap what has happened, because sometimes we don't see how far we've come. Fifteen years ago in this country, there was no charter school. We now have nearly 3000 of them and they are growing and they are raising hell with the teachers union because they are accountable. In Massachusetts, half the charter schools we have (we have 40-something) are doing superlatively well. I have to tell you the other half is just a little bit better than the school across the street. All charter schools must pick their students by lot. But in Boston, just to give you numbers, (we have to take out Boston Latin and Boston Latin Academy because they are entitled to take in children by exams. They are so-called exam schools.): The two highest 10th grade scores in Boston for average school; and the three highest 8th grade scores in Boston were all charter schools - so it's do-able. It's really very encouraging, because they are giving the regular (public) schools fits.

Now, we've got good vouchers in Milwaukee. They provide better educations for about 10,000 kids. We've got vouchers in the city of Cleveland, which is a puny little voucher, something like \$2,250; that helps 3,500 kids. We've got a brand new law in Colorado for a small number. We've got the McKay Scholarships in Florida for handicapped kids where the parent can say, "I don't want the school to do that. I want the money to go to somebody that I want to pick, to get what's best for my special needs child." There are about 8,000 of those now. And we are getting close to having a big voucher bill coming up in Texas this fall in a special session that might offer vouchers to as many as 800,000 kids. So the realities are that the teacher unions are on the defensive. They still have money to burn but we are gaining, and as long as you look at it on the basis that it took 50 years to get into this mess and it will be about 51 years to get out - we're a little bit ahead of schedule!

Question: What kind of input would you give for a new state think tank just getting started?

Pete: Pick something that you can do, and do it well. You need the success. I don't know what is in your particular state. You line up two or three fellows to get a little money, but they want to see something pretty fast. You need to have something where you can win. So don't tackle getting vouchers in your school system as the first order of business. Do something that you have a chance of making an impact quickly.

Question: After your many years in business, what are some of the similarities in starting a non-profit and some of the dissimilarities in running and starting a business?

Pete: There's not that much in dissimilarities. In a for-profit business, you're looking at the opportunities and essentially you're doing a cost-benefit analysis: it takes this many people; and it takes this much capital; etc., etc. It also pays to scratch your head and say, "What if it all doesn't happen?" What's so different about the think tank business? You're hiring bright people. You have an easier time managing (in think tanks) than in the corporate world because you have more incentives to play with. But it's not very different. It sounds different, but after all, my satisfaction in business was making money, but it was also seeing something done. I've done a number of things that I have been very proud of and would happily admit it. So essentially, what's different about this? I'm proud of the fact that we've got charter schools working, and we have a whole series of things in process. And I've got Steve Adams, who pushes hard, and I think we're going to make some people unhappy, and I hope we do!

Question: Do you have any thoughts on the advantages and disadvantages of think tanks affiliating with a university?

Pete: I wouldn't (affiliate). In the first place, as far as I am concerned, the higher education in this country is almost universally corrupt and they are politically correct (except for a handful of colleges, at one of which I happen to be a trustee). You lose more than you gain. Example: Pioneer said three years ago, "We aren't attracting good enough managers to get into the charter schools. This is a tough job; it takes quality talent." So we went out and raised money and awarded six \$50,000 fellowships to encourage people to come in and spend a year learning how a charter school works: apply for a new charter, and, if you get a charter - go run it.

The result: We've got two charter school teachers: one public school teacher; a fellow who worked for c for two years

and decided education was more interesting; a lawyer who had been in business for five years; and a retired naval commander. So we've attracted a different set of people. I tell you this because we are seeding this program this way: here are 3,000 charter schools in the country. A head of a charter school lasts, what, 7 years? It takes 400 of these leaders a year. So the six we're helping to train are a drop in the bucket. So I went to a couple of education schools around here - Boston University and Northeastern, and said, "Would you like to set up a program joining with Pioneer and you end up giving masters degrees?" We were doing this, basically because we don't want to be in the business of turning out graduates. The universities said no thanks. So the end result of all of this is that Pioneer is splitting off the Charter School Resource Center (which administrates the services for the charter schools) plus this management development effort. So at the end of this month, Massachusetts Charter School Resource Center is going to become a separate entity from Pioneer. It was taking too much of our time developing people to run charter schools and not enough time pushing to extend the leading edge of education reform.

Question: Every organization represented in this room is trying to raise money for the cause - the free market cause -- they are supporting. In addition to being the founder of Pioneer, you support a lot of free market organizations. As a contributor to a lot of organizations, what do we need to be doing to show our financial contributors that we are giving them a return on the investment? What are you looking for in an organization that would make you say, "Hey, this is worthwhile to support; I should be involved with that?"

Pete: The Peters family is narrowing down its focus enormously. We are really focusing on getting kids educated. In particular, we are focusing on what we can do to reduce the money supply to the teacher's union. The teacher's union is just plain the enemy of getting kids educated and we've got to find ways of doing that. We're not alone but we are telling people, we think the more entrepreneurial end of this business is one that is having not as much money put into it as we think ought to happen, so from a Peters family standpoint that would be the answer.

Question: At Atlas, we work with a lot of think tanks that are in trying and difficult environments: such as Columbia, Turkey, and Bangladesh ...to start up think tanks (and Massachusetts also doesn't seem like a natural home in particular to start up an organization!). Did you, in the early stages of Pioneer, do anything to try to appeal to the arch, true-blue conservative libertarians in Massachusetts?

Pete: Yes - the realities are: you are always trying to find people who are single-interest people. They will give you money for a charter school but don't want anything to do with the court system. (It's) inevitable, because it's their money and essentially you have to work with what you can find.

Question: How do we find more people like you who will be donors to the cause?

Pete: You'll have to talk to my mom and dad!

Lovett C. "Pete" Peters is the Founding Chairman of Pioneer Institute. Following a long business career in energy and banking, "Pete" Peters began Pioneer in 1988 with a grand vision--but only a skeleton staff, which has grown steadily over the years along with the Institute's influence. A 1936 Yale University graduate, he is also the longest standing trustee for the Foundation for Economic Education, a member of the Mont Pelerin Society, and a trustee of Hillsdale College. His business career included executive positions with Energy Ventures, New England Energy Company, Cabot Corporation, Conoco, Laclede Gas Company, and Bankers Trust. Mr. Peters is the recipient of many honors and awards, most recently the Roe Award from the State Policy Network and, along with his wife, Ruth Stott Peters, the Champions of Freedom Award from the Mackinac Center for Public Policy.

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