



Choice, Not More Spending, Is Key To Better Schools

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Education looms as both cause and cure for the decline of the middle class and the widening gap between rich and poor.

In today's knowledge-based economy, poorly performing public schools leave many U.S. workers ill-equipped for jobs that pay middle-class wages.

So it follows that improving education is the only way to raise up the poor, reduce inequality and restore the American middle class.

We all want better schools — right-wingers, left-wingers, even business and labor are on board. Most proposals for improving education come down to the same thing — spend more of the taxpayers' money.

But that's what we've been doing for two or more generations, and it hasn't worked. Andrew J. Coulson, director of the Cato Institute's Center for Educational Freedom, calculates that inflation-adjusted spending per pupil more than doubled from \$5,500 a year in 1970 to more than \$12,500 in 2010.

What did America get for its money? Nothing — at least when measured in terms of educational quality. Since 1970, average test scores among 17-year-olds have been flat in reading and math, and down in science.

Yet the money illusion persists, largely because politicians and advocates have seized on a superficial link between bigger budgets and school quality.

Annual spending per student varies widely among states, ranging from \$18,126 in New York down to \$6,356 in Utah. The big-spending states also do better on an index combining eighth-grade scores in math, reading and science.

Case closed — or so advocates of education spending would have us believe.

The conclusion, however, relies on data with fatal flaws that skew the relationship between school spending and student performance. The flaws center on the differences among states in living costs, incomes and demographics.

First, it costs a lot more to live in New York than in Utah, so part of the school spending differential merely reflects what employers routinely pay to compensate for New York's expensive housing and high taxes.

A cost-of-living adjustment puts all states on an equal footing, reducing the spending gap between Utah and Wyoming, the new top spender, from \$11,770 to \$7,813.

Second, states with high living costs tend to have high average incomes that in turn correlate with the adult population's years of schooling. In measuring student performance, we can't ignore the impact of parents' education or income.

Third and most important, demographic differences among states can't be ignored because white students score higher than Hispanics and blacks on standardized tests.

States with large minority populations will see their average scores and rankings reduced, making their school systems appear worse. States with larger white populations will record higher average test scores, even if they're not spending their educational money more effectively.

Removing the demographic bias involves adjusting each state to reflect each major ethnic group's share of the nation's public school students: 59.2% whites, 24.6% Hispanics and 16.2% blacks.

Schools in some states then rise in the pecking order — Texas from 28th to 3rd, Maryland from 27th to 5th, Alaska from 34th to 12th, Delaware from 29th to 11th. Schools in other states fall in the rankings once they lose their artificial edge — Vermont from 2nd to 18th, Maine from 11th to 34th, Iowa from 23rd to 40th.

Taking these factors into account will produce a truer assessment of the value of more education spending. With comparable spending and demographic comparisons, the power of bigger budgets to lift student achievement disappears — it's no longer statistically significant.

So why do some states have better public schools — if it's not a matter of money? Statistical regressions using the adjusted spending and demographic data find that test scores improve significantly as parents get more education and earn higher incomes.

The intuitive story goes like this: Better educated and richer parents tend to appreciate the value of schooling. They insist on better schools for their children and stress education in the home. School districts that spend more tend to be those where the cost-of-living is higher, where income is higher and where adults are better educated.

It's not the spending that improves scores, it's the parents' high expectations and emphasis on education.

Money can buy a lot in public schools — smaller classes, better teachers, modern facilities, computers and other technologies. So why hasn't spending paid off in better educational outcomes? The biggest impediment is a government-run school system resistant to innovation, indifferent to student needs and mired in mediocrity.

Better schools are certainly within our means, but we won't get them with current assumptions and institutions. It's time to harness the tried-and-true forces of capitalism — most important, choice and competition. Capitalism in the classroom will create proper incentives, spur innovation and drive entrepreneurial activity.

Milton Friedman famously argued that the private sector could do better than government in educating America. In 1955, he laid out a plan to issue taxpayer-funded vouchers for each student, which families would use to pay for the schools of their choice.

Typically, Friedman was both right and ahead of his time. Over the next six decades, the idea of incorporating market mechanisms into education has gained traction as the failure of government schools has become impossible to ignore.

A variety of school-choice options have been introduced in all parts of the country — voucher programs, charter schools, tax deductions and rebates, tax-credit scholarships, private schools, home schooling, online learning and educational savings accounts.

The alternatives to traditional public schools differ in many ways, but they all discard the idea of government dictating where students go to school, how money is spent and what's being taught.

Instead, students and their parents pick the schools. Money goes with the student. Schools survive and prosper by doing a better job of educating. If they don't deliver, the students will find another school, taking the money with them.

Students will be better served in private schools run like businesses. There's no reason to shy away from what this means: operating for profit, replacing principals with CEOs, paying good teachers more, firing bad teachers, giving schools freedom to innovate in instruction methods and curriculum, letting new schools enter the market, allowing bad schools to fail, encouraging successful schools to take over unsuccessful ones, getting rid of unions that protect bad teachers and stifle change.

A private school system gets the incentives right by rewarding better teaching and increasing variety in education. Both will help more students to find their path to success.

The role of choice and competition in education has remained marginalized by entrenched interests that benefit from the public school monopoly — the coddled administrators, the teachers' unions, the demagogues who denigrate markets.

Americans are romantic about their public schools. We need to be realistic. We can keep doing what we're doing — spending more on education, failing our students and undermining the

American middle class. Or we can embrace choice and competition, the powerful forces that give us better products for less money in the private sector.

It's time we let choice and competition work in education — we'll end up spending less and getting better schools.