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Believe it or not, markets work in education

Will Flanders and Corey DeAngelis

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For the first time in nearly a decade, a vocal and committed opponent of Wisconsin's school voucher program will occupy the governor's mansion in Wisconsin. Tony Evers, governor-elect and former state superintendent, has called the expansion of school choice statewide "morally wrong." During the campaign, he said he'd like to freeze enrollment and phase out the growing voucher program. While a Republican state legislature may hinder Evers' ambitions, he is likely to prioritize public schools in Wisconsin and push for new regulations intended to hinder the growth of school choice.

In addition to a close connection to teachers unions, Evers' position reflects a belief among many that education doesn't function well within a market setting. They argue that too many bad schools, across sectors, remain open. There is frustration that families, for one reason or another, aren't choosing good schools. Many see government regulation as the only answer.

Before jumping to the conclusion that government ought to intervene, it is critical to understand how parents are making education decisions. We know that school choice is popular and tends to grow in communities where education options are available. But we wanted to dive deeper.

Our study evaluated whether families in Milwaukee vote with their feet based on objective metrics of school quality: mathematics performance and safety. In addition, we look at whether these factors, and changes in enrollment, lead to school closure in Milwaukee's public and private education sectors.

The results revealed that enrollment growth and decline among Milwaukee's private schools participating in the voucher program was related to academic performance. Moreover, private schools with lower achievement — and lower enrollment levels — are more likely to close than higher-performing schools even after controlling for differences in student background.

The same cannot be said for district public schools. Our results found that enrollment growth or decline in district schools is not associated with academic achievement or safety. Only school size is predictive of public school closure.

This makes sense. Public school systems have been insulated from competition for centuries, and residential assignment means that families default into nearby schools regardless of actual quality. Closure decisions in the public school sector may often be unrelated to objective quality metrics such as academics and safety. For example, school boards may have to consider the capacity of nearby public schools and may also be particularly influenced by feelings and concerns of the community rather than facts regarding school quality.

Our results tend to suggest that market forces are more likely to work when schools are more free from government bureaucracy. After all, schools of choice are more likely to be held directly accountable to the market than public schools, in theory, because they:

1. must attract their customers,
2. receive funding based on the demand of their services, and
3. must shut down when facing sustained financial losses.

School closure is usually driven by parental choice, based on customers' perceptions of quality, in the private sector.

This is the first study to examine whether the market works as theorized in the education sector in the long-run. While much more evidence is needed on the topic, our results suggest that low-income families in Milwaukee have the information needed for the private education market to work. The private education decisions of these families reward high-quality schools and lead to closure of objectively low-quality schools.

On the other hand, quality metrics do not predict shut-down in the public school sector.

Before choice opponents such as Gov.-elect Evers move to further regulate vouchers, they should consider the growing evidence that the market that is most free works best.

Corey A. DeAngelis is a Policy Analyst at the Cato Center for Educational Freedom. He is also a Policy Advisor and Contributing Editor for the Heartland Institute.