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Cato Challenge: Name an Industry With a Record as Poor as Education's

By CATHERINE RAMPELL

Andrew J. Coulson, director of education policy at the Cato Institute, the libertarian research group, sent me this request:

I've been claiming for some time (most recently in IBD) that K-12 education has suffered a massive and unique productivity collapse over the past 40 years: student achievement has been stagnant at the end of high school (see the NAEP [National Assessment of Education Progress, a standardized test]) and graduation rates have actually declined slightly (see James Heckman's work), despite a more than doubling in real expenditures per pupil.

But some have challenged the claim that this economic catastrophe is unique to education, so this morning I decided to challenge readers of the Cato Institute's blog to present an example of another field that has suffered the same productivity collapse. So far the most promising contender is live theater, but after looking into it, I find it doesn't hold up.

Since Economix has a great many well-informed readers, and ones who are perhaps less predisposed to think ill of public schooling, I'm writing to enlist your help. Would you be willing to pass along my challenge to your readers? I'll look into the most promising candidates suggested, and will publicly acknowledge any "winners" (i.e., fields that have seen productivity cut in half, or worse, since 1970).

Any ideas?

It's still difficult to compare productivity across sectors, especially given that one could measure "productivity" differently in different sectors.

The Labor Department reports productivity statistics in hundreds of sub-sectors. However, those measures, which do not appear to reach back to 1970, generally look at things like output of goods and services per worker or per hour, or unit labor costs. These are very different measures than the more quality-based one proposed by Mr. Coulson to gauge productivity in education (i.e., students' test scores).

That said, it's an interesting thought experiment. If there is an industry that meets Mr. Coulson's challenge on his terms, my gut reaction is that it might be another service-oriented sector like education.

Perhaps health care, for example. I'm not sure how you'd measure productivity, though; maybe you could look at additional quality-adjusted life years added to the average person's life, as compared to the additional dollars of per-capita health spending per year.

The United States spends much more per capita on health care than its peer countries, without much benefit to our life expectancy (not quality-adjusted, though). So at the very least America might be considered less "productive" than other industrialized nations by this measure.

Whether American health care is less "productive" today than it was in, say, 1970 is a different question. Without adjusting for quality of life, life expectancy for Americans at birth was 70.8 years in 1970. In 2005 it was 77.8 years. In the same period, inflation-adjusted health spending per capita has more than quadrupled from $1,292 to $5,801 (in 2000 dollars), according to the Organization for Economic Cooperation and Development.

That means the average cost per year of life has risen significantly, which seems to fit Mr. Coulson's framework for "productivity." But maybe medical spending isn't the prime reason. Life expectancy has also risen — faster, in fact — in many countries where spending has not grown nearly so much. Alan Garber of Stanford and Jonathan Skinner of Dartmouth recently published a paper titled, "Is American Health Care Uniquely Inefficient?"

Readers, what do you say? How would you respond to Mr. Coulson's challenge?