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Buffett and Gates Are Wrong about What Schools Need

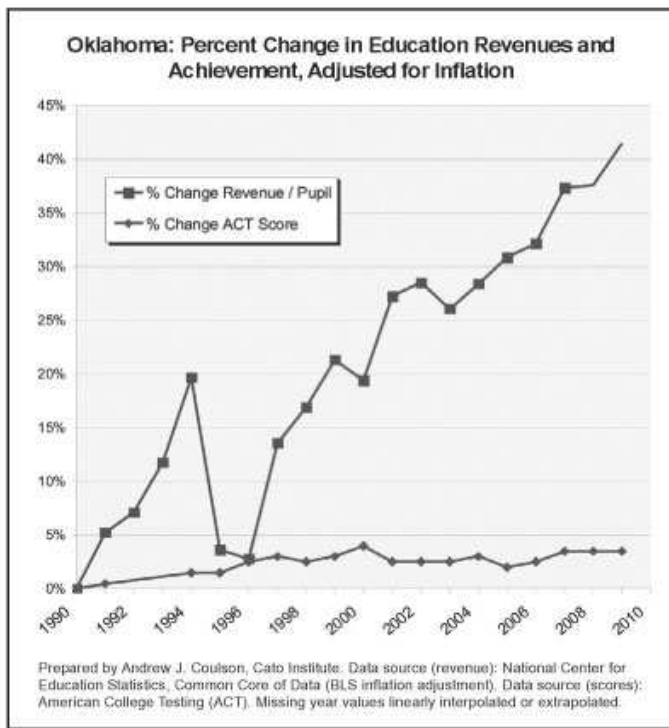
August 02, 2010

By Andrew J. Coulson

Bill Gates and Warren Buffett want the world's billionaires to donate half their wealth to charity. If they're successful with just their American peers, they'll raise about \$600 billion—an amount U.S. public schools spend in a single year. And therein lies a problem.

At the behest of Buffett and Gates, 14 of the nation's mega-rich gathered for dinner in New York City last May to discuss their philanthropic goals. Both of the event's organizers have long lamented our school woes. When Buffett recently wrote of his plans to give away 99 percent of his own wealth, he ascribed his financial success, in part, to "living in a market system that sometimes produces distorted results." While that system rewards skilled stock traders like himself "with sums reaching into the billions," he observed, it "rewards a great teacher with thank-you notes."

Buffett is right. In fact, education is perhaps the only field in which America's top performers don't enjoy tremendous financial success. This fact has profound implications for school quality, but Buffett is wrong about its cause.



Brilliant teachers aren't excluded from the billionaire's club due to any "capriciousness" of our market economy. They're excluded because public schooling exists outside that economy. It has no prices set by supply and demand, no meaningful competition, little professional freedom for educators, negligible choice for consumers, and no system for rewarding successful education entrepreneurs with profits or of penalizing failure with losses.

Our public school systems enjoy local monopolies on roughly \$600 billion annually, and they lack the freedoms and incentives that drive innovation and efficiency in other fields.

We laugh at the \$2,000 cell phones and CD players of the early 1980s. Their modern counterparts are fantastically improved—and cheaper. Even low-tech goods and services have become more affordable; grocery-store coffee costs half as much now as it did in 1970, adjusting for inflation.

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By contrast, public schooling's productivity has collapsed [see chart]. A full K-12 education for a 1970 high school graduate cost about \$39,000, adjusted for inflation. The same figure for last year's graduates was about \$150,000—and expanded services to special-needs students account for little of the increase. But achievement at the end of high school has stagnated for four decades.

And that brings us to the hurdle facing Gates, Buffett, and their well-intentioned friends: Improving education is among their top goals, but our schools have swallowed many trillions of additional dollars in recent decades without improvement. So even if they donate every penny to this cause, it might not do the slightest bit of good. Unless, that is, they recognize that the system itself is the problem—that monopolies cannot be tweaked into self-perpetuating excellence.

After reviewing the scientific literature for the Journal of School Choice, I found that the freest, most market-like education systems consistently outperform school monopolies. It is possible to reward our best educators financially and replicate their methods.

This is already happening in Asia's for-profit tutoring industry, in which the top teachers earn million-dollar salaries and the top chains serve millions of students worldwide. Even in the slums of the Third World, rickshaw drivers and day laborers are shunning free public schools in favor of fee-charging entrepreneurial establishments that offer their children a better education—a story recounted in James Tooley's magnificent book *The Beautiful Tree* (and in the August 2009 issue of *Perspective*).

The evidence is there if these titans of finance and industry wish to see it.

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