



May 2004

Without Competition, School Choice Is Not Enough

By Frederick M. Hess

Most current school-choice programs do not establish serious competition among schools. Therefore, they fail to bring about the systemic changes advocates expect. Real competition entails accountability and negative consequences for under-performers. In contrast, tentative choice programs that enable limited numbers of students to depart from government-run schools while maintaining the resources allocated to those schools represent stumbling blocks to reform.

The newest, and most visible, big-city school voucher program will be launched this spring in the nation's capital. The program will offer school vouchers worth up to \$7,500 to about two thousand students in the District of Columbia public schools. Thrilled to have finally won this politically significant legislation after a decade of stop-and-start efforts in Congress, voucher proponents have rendered grand pronouncements about its likely impact.

Representative Jeff Flake (R-AZ), who introduced the D.C. voucher initiative, proclaimed, "Not only will these scholarships help students who take advantage of them, but they will help the students who remain in the public school system by freeing up resources and creating a competitive environment where both public and private will thrive." D.C. mayor Anthony Williams asserted that "introducing choice and ensuring competition" would improve the schools, though he also explained that the bill would "hold the [public] schools harmless."

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Sorry to spoil the party, but these claims smack of Great Society wishful thinking. This is not only because the program is capped at about 3 percent of public school students and sweetens the pot for the public schools with an additional \$13 million in new funding. More fundamentally, the program—as both Representative Flake and Mayor Williams emphasized—ensures that public schools have nothing to lose, and maybe something to gain, when students depart for private schools. The program is choice without consequence, "competition" as soft political slogan rather than hard economic reality. Like many earlier voucher programs, including those involving larger numbers of students, the D.C. program is unlikely to force major improvements. Therein lies an important lesson for advocates of "choice" as the silver bullet of school reform.

After all, when D.C. charter school legislation passed in 1995, grand claims were made on its behalf. Charter proponents like Lex Towle of the Appletree Institute explained, "When you get a critical mass of good independent public schools, particularly in the inner city where they are most important, that will help create the competition that will raise the level of other public schools." Critical mass we got—more than 20 percent of D.C. public school students are now enrolled in

charter schools. Yet after nine years of charter “competition”, the U.S. Census Bureau reports that D.C.’s public schools spend more than \$15,000 per student and yet remain among the worst-achieving in the nation, wracked by scandal, and plagued by managerial incompetence.

How is this possible? Doesn’t it violate the basic tenets of market logic? Did Milton Friedman overpromise?

The Logic of Competition

To be blunt, competition works when it hurts. Markets produce good performance precisely because they are neither gentle nor forgiving. This can make an unflinching embrace of markets difficult for politicians or reformers more interested in expanding parental choices than promoting systemic improvement. For many voucher or charter proponents, “competition” is more a rhetorical device than a serious tool to promote educational excellence.

In the private sector, when competition is threatening enough—as when American automakers and electronic manufacturers were almost wiped out by Japanese competitors in the 1980s—firms either reinvent themselves or yield to more productive competitors. Unions make painful concessions or watch jobs vanish.

The absence of competition means that public schools, like other government agencies, typically lack this discipline. No matter how inefficient the agency, employees have little to fear. Subjecting school systems to real competition would indeed produce more disciplined, productive schools—and many other benefits as well.

It would provide quality control extending beyond the basic accountability afforded by standardized testing. It would encourage flexibility by enabling entrepreneurial educators to challenge existing schools and reigning orthodoxies. It would permit effective schools to multiply and grow without waiting on political processes or resistant district leadership. But that is not, for the most part, how schools compete today when confronted with voucher and charter programs.

How Schools “Compete” Today

Research on educational competition has grown steadily in the past few years. Thoughtful scholars like Harvard economist Caroline Hoxby and Manhattan Institute fellow Jay Greene have published analyses suggesting that heightened educational competition is

associated with improved student achievement. Other scholars, like Fordham Foundation president Checker Finn and Villanova political scientist Robert Maranto, have noted that public systems sometimes may respond to charter school competition by increasing advertising or trying to stifle their competitors. This research is instructive and has highlighted several promising, if limited, developments.

Unfortunately, this scholarship has too often been trumpeted uncritically by choice proponents rather than used to encourage rigorous policy consideration. Too many advocates have closed their eyes and insisted, like Flake and Williams, that tentative choice experiments will suffice to create competition.

Imagine if a Wal-Mart store manager were told that losing customers would have no impact on her salary, evaluation, or job security—while attracting new customers would require her to hire more employees, assume greater responsibilities, and erect a trailer in the parking lot to handle the added business, all without additional compensation or recognition. In such an environment, only the clueless would care much about “competing.” The sensible manager’s preference would be for a stable customer population (although, truth be told, she would probably rather lose customers than gain them).

But this is exactly how schools—even most “choice” schools—compete today. Take the principal of a typical elementary school in Washington, D.C., that was built to house four hundred students and currently enrolls 375 students. What happens if that principal loses seventy-five students to charter schools or to the new voucher program?

Typically, three retiring teachers are not replaced, three classrooms are freed up, and the tiny amount of discretionary money that flowed to the school to support those students does not come in. In short, the principal’s job gets a little easier. She earns the same salary and has the same professional prospects she would have otherwise, yet has fewer teachers to lead, fewer students to monitor, and a less crowded school.

Take the same school and assume that the principal reacts powerfully and effectively to the incitement to increase enrollment, prompting the school to add seventy-five students. What happens? The principal takes on responsibility for three new teachers, must squeeze students into the last available classroom, adds two trailers out back to hold two additional classrooms, and crowds the school’s cafeteria and corridors.

This principal is now responsible for two teachers who are not happy about teaching all day in a trailer and fifty families that feel the same way about their child's classroom. In return for these headaches, the "successful" principal receives—what? At best, a small pool of discretionary monies, typically amounting to less than fifty dollars per student, more responsibilities, dissatisfied constituents, and no more recognition or pay. Why would we expect these principals to compete in more than a token fashion?

From Choice to Competition

Choice-based reforms are the first step in promoting educational competition, but they alone are wildly insufficient. I want to suggest six next steps for those serious about making competition work.

First, the sine qua non of effective choice is that parents must be in a position to deny resources to poor schools and bestow resources on good schools. The money for educating a given student should follow that child when he or she changes schools, and the size of choice programs should not be restricted. The political conceit that choice will spur public school systems to remake themselves *even if they get more money for serving fewer students* should be squarely rejected.

Second, principals whose schools attract students should be rewarded and recognized accordingly. Of course, various safeguards are appropriate—to ensure that popular schools are also producing adequate performance, and to reflect that some schools are naturally more attractive than others—but the logic of these measures is relatively straightforward.

Third, principals and superintendents need to be able to hire, fire, promote, and reward employees. In the current system, when principals and district officials try to monitor and manage their employees in accord with market imperatives, they stumble over regulations, professional norms, and contractual provisions. In the private sector, employees are compelled to accept management direction to a much greater extent, even within firms where workers are protected by strong contracts.

Fourth, it is necessary to overhaul rigid contractual arrangements that stifle potential entrepreneurs. Salary schedules based on seniority and pension plans based on continuous service penalize longtime educators who leave their positions for new opportunities.

Fifth, it is essential to increase the number of choice schools and the number of students these schools serve in

order to make competition truly threatening. Many barriers, formal and informal, have limited the growth of choice options. The educators who traditionally open "mom and pop" charter schools or run private schools are unlikely to drive significant expansion. Why? Most like the idea of running a small, familial school and evince little interest in maximizing enrollment, running multiple schools, or managing a bureaucratic operation that separates them from the students. If they are to serve more children, these entrepreneurs need to be enticed with enough rewards—money, prestige, perks—that they are willing to trade the freedom and fun of their small enterprise for the headaches of expansion.

Finally, it is essential to welcome for-profit operators if the supply of schools and seats is to be significantly expanded. The entry of for-profit operators can dramatically increase the pool of capital available to open and expand schools and lessen reliance upon philanthropic and government resources. Opening a school requires an extensive initial investment, one that it is often easier for profit-seeking than for nonprofit ventures to raise. School managers motivated by profitability are more likely to serve large numbers of children and have the resources required to operate a large network of schools.

Choice-based reform is a vital element of school reform, but it is not a reform strategy in and of itself. Most choice-based reforms in American education, including even ambitious voucher programs and charter school laws, fail to generate competition worthy of the name. The rules and norms governing school funding, work conditions, and employee compensation mean that neither principals nor teachers have much of a stake in whether their school attracts students.

In the 1970s, during the height of Communist reign in the old Soviet Union, Moscow's shoppers could choose from scores of grocery stores. Nonetheless, you would have to look long and hard to find a market proponent who would suggest that the Muscovite grocery market had benefited from competition. Why?

It is because employees' job security, compensation, and promotion were little affected by "competitive" performance—regardless of how effectively their store competed. Transforming "choice" into competition requires making the consequences matter for individual educators. If we want vouchers or charter schooling to create educational competition more vibrant than that of the old Soviet groceries, choice alone is not enough.