

II

# Real Choice

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**A** *Nation at Risk*, published in 1983 by the National Commission on Excellence in Education (Excellence Commission), galvanized attention to low student achievement as the critical issue in America's schools and launched an attack on the problem that has been sustained to this day. In this way, *A Nation at Risk* was a watershed. Never before had schools been asked to focus so sharply on improving student achievement. And never before had policy makers worked so hard to help—or force—schools to deliver. The eighties quickly brought tougher graduation requirements, more academic course taking, higher teacher salaries, and more training for teachers. The nineties added rigorous statewide academic standards, extensive standardized testing, and accountability. In 2002, the federal government mandated testing in reading and math in grades three through eight nationwide.

These are major changes, and, in their sheer focus and commitment to doing education differently, some might even call them revolutionary. But they do not in fact constitute a revolution. For they

leave intact a fundamental obstacle to major improvement, which is the system that provides public education in the first place. *A Nation at Risk* clearly believed—and it stated so explicitly—that through good will and hard work, the American education system could deliver on the changes recommended in the report. *A Nation at Risk* did not raise a single question about the capacity of the education system to get the job done. But in the years since *A Nation at Risk*, such questions have been asked with increasing frequency.

Reformers have argued, in particular, that public schools cannot be easily counted on to raise achievement or easily forced to do so. They cannot be counted on because there has traditionally been no effective accountability. Schools that do not deliver better results for kids are almost always, and inevitably, allowed to continue delivering inadequate results. Yet schools cannot be forced to deliver better results either. The very mandates that would be necessary to do so—what to teach, how to teach, how to assess, how to reteach, and so forth—tend to bog schools down, preoccupying them with following rules instead of encouraging them to solve problems and produce results. Reformers are faced with something of a dilemma—to find ways to promote accountability for results without destroying the initiative or autonomy of schools to produce results.

To resolve this dilemma, reformers have increasingly looked beyond the traditional education system for answers. A broad and fundamental reform strategy has taken hold in the years since *A Nation at Risk*. That strategy aims to inject the market forces of school choice and competition into the traditional system, which is based on very different principles—essentially, authority and control. By giving parents the right to choose the school their children attend and forcing schools to compete for enrollment—or risk closure from lack of students and funds—market-oriented reforms aim to improve schools by revolutionizing the system of which they are part. Under a system with market forces at work, policy makers need not micromanage improvement. Instead, they can focus on setting standards, testing for aca-

ademic progress, and providing parents with information on school performance so that they can make good choices. The market can do the rest. Schools that do not raise test scores will lose students to schools that do. And the innovations necessary to boost achievement will emerge from the competition among existing schools. Those with the best ideas and practices will survive and be imitated.

Of course, the workings of markets are not so simple in practice, and markets come with their own set of challenges. But market-oriented reforms have become important in American education because they offer hope for improvement not constrained by some of the inherent limits of the traditional system. For all of its wisdom, *A Nation at Risk* failed to recognize, or even consider, the possible limits of the traditional system or conceive of fundamental alternatives (or complements) to it. To appreciate the significance of *A Nation at Risk*, we must recognize its bold insights into the traditional ways of schooling, but also acknowledge that it failed to anticipate the remarkable challenge to these traditions in the years that immediately followed.

### The Idea of Choice

When *A Nation at Risk* was published, school choice was scarcely more than an academic notion. Milton Friedman, one of the nation's most esteemed economists and a leading conservative thinker, had proposed a system of public education based on vouchers—for use in public or private schools—in a now classic article in 1955.<sup>1</sup> During the federal War on Poverty in the late sixties and early seventies, a number of academics, more liberal in orientation than Friedman, proposed vouchers for economically disadvantaged students, and a modest—and inconclusive—experiment with the idea was carried out in Alum Rock, California.<sup>2</sup> But when the Excellence Commission convened in 1981, it didn't regard the concepts of vouchers and school choice as sufficiently important to even include them among the scores of topics on which it contracted for background research.

This thinking very quickly proved to be shortsighted. In 1982, James S. Coleman, perhaps the most significant academic figure in education policy making in the last fifty years, produced a study, with Thomas Hoffer and Sally Kilgore, that found that students perform better in private schools, and particularly Catholic schools, than they do in public schools, all things being equal.<sup>3</sup> Coleman and his colleagues also showed that Catholic schools, more so than public schools, seemed to approach the “common school” ideal of serving all children equally. Taken together, the findings suggested that on grounds of both effectiveness and equity, policy makers should be open to ideas that would provide public support for private school attendance.

Before the Excellence Commission had even finished its work, the Coleman study was garnering national attention. Coleman had a history of producing iconoclastic yet influential policy research. Less than twenty years earlier, he had led the federal research project that helped justify bussing by showing that the greatest influence on student achievement was that of families and peers—not schools.<sup>4</sup> In the seventies, Coleman inspired more controversy when he found that bussing was counterproductive, for it tended to drive white students out of urban schools while failing to place black students in more diverse environments.<sup>5</sup> When Coleman finally concluded in 1982 that schools, especially Catholic schools, do make a difference, policy makers listened.

Coleman’s work prompted a wicked backlash in academia as well as in the policy world. His ideas were anathema to an education establishment that had long opposed vouchers as a threat to public schools. From the public education lobbies in Washington, D.C., to the researchers in university schools of education, Coleman’s methods and conclusions were attacked. Yet the idea that private school choice might help students achieve did not go away. Coleman produced a follow-up study in 1987 that reinforced the findings of his earlier work, showing that private school attendees fared better after high school

than their public school counterparts, and he attributed the private school advantage to the greater sense of community in private schools, an attribute Coleman labeled “social capital.”<sup>6</sup> In 1989 Paul Hill and a team of social scientists from the respected independent research organization RAND concluded that Catholic schools in New York City were succeeding in educating disadvantaged youth who had failed in public schools.<sup>7</sup>

Though the benefits of private schools were to be the subject of continuing debate, the idea of choice is about more than simply helping children switch from public to private schools; it is about changing fundamentally the way in which all schools are governed, rewarded, and controlled. Another major study gave policy makers new reason to think such change made sense. *Politics, Markets, and America's Schools*, by this author and Terry M. Moe, concluded that private schools tend to outperform public schools, all things being equal, because the market environment in which private schools operate is far more conducive to success in education than the political environment in which public schools operate.<sup>8</sup>

The study found that the market forces surrounding private schools systematically promote the very attributes that Coleman and other researchers had been saying were characteristic of effective schools in general, and Catholic schools in particular. It is no accident that private schools seem to outperform public schools: The competitive pressures of the marketplace, where families can take or leave a school, lead schools to organize in whatever ways are conducive to getting results for families. Intentionally or unintentionally, schools subject to market pressures tend to develop clear missions (parents know what the school stands for), focus on academics (parents want to see their children learn), encourage strong site-based leadership (great schools are headed by principals who take charge of student achievement), and build collaborative faculties (great schools make achievement a team effort). Schools that fail to do these things tend to be weak performers, tend not to be favored by parents, and tend to

be weeded out via natural selection over time. By contrast, the political forces that surround public schools—particularly public schools in academically troubled urban systems—tend to promote excessive bureaucracy and to impede the development of the qualities that schools need to succeed. School missions get diluted by round after round of school reform; academics get crowded out by new policy goals; principals become middle-managers carrying out the programs chosen by district administrators; and teachers become “labor,” fulfilling contractual obligations instead of doing whatever is necessary for the team to succeed. These are only central tendencies, to be sure. Markets tolerate a certain number of lousy private schools, and politics produce many exemplary public schools. But to the extent that politics and markets cause schools to tend sharply in different directions, the central tendencies are extremely important.

Indeed, *Politics, Markets, and America's Schools* posed a quite revolutionary possibility: that the failure of public schools to improve—the failure at the heart of *A Nation at Risk*—was inherent in the way the public system had come to work. Well-intentioned efforts at reform, year in and year out, had imposed so many constraints on schools that they could no longer do the basic things that schools need to do in order to succeed. This being the case, school reform would require fundamental change in the system of public education itself, something more revolutionary than anything envisioned by *A Nation at Risk*. The most effective means of reform, by far, would be to abandon (or sharply curtail) efforts to force improvement from the top down—through bureaucratically administered reform programs—and to promote improvement from the bottom up: Give schools the freedom to organize themselves for effectiveness and give parents the opportunity to choose among competing alternatives. *Politics, Markets, and America's Schools* proposed a new system of public education based on school autonomy, parental choice, equitable financing, and basic accountability requirements—a proposal that was more ambitious than vouchers for private schools, because all schools would be

involved, and also more fair, because private schools could not participate unless they played by the same rules.

The study's findings and recommendations caught the attention of policy makers. Perhaps it was the study's publisher, the then-liberal-leaning Brookings Institution, which caused influentials to take notice. Brookings had no history of supporting vouchers or school choice, ideas mostly associated with conservatives. Or perhaps it was the study's extensive empirical base—more than 400 schools and nearly 20,000 students, teachers, and administrators. Whatever the case, the study helped shift thinking about school choice from a strategy to help students escape public schools to a broad market-based reform to improve all schools.

### The Politics of Choice

Ideas can be very powerful, but ideas alone seldom change policy. Ideas require advocates with the political wherewithal to win elections and legislative battles. During the eighties the idea of choice attracted powerful advocates and opponents. The Reagan administration and its secretary of education, William C. Bennett, led the charge rhetorically. The Reagan administration had come into office in 1981 opposed to the existence of the recently formed Department of Education. But with the positive reception of *A Nation at Risk*, the administration realized that education could be a winning issue with the public. The idea of vouchers, or, more broadly, of school choice, fit the Republican administration's pro-market, anti-big-government, pro-deregulation orientation quite nicely. And it was an idea that benefited more from "bully pulpit" advocacy of state and local action—advocacy at which Bennett excelled—than from federal legislation, which the divided government of the time would never have passed.

Democrats at the time generally opposed vouchers for private schools and most other forms of school choice as well. As a matter of

principle, Democrats have greater faith in government and less faith in markets than Republicans. But Democratic opposition was—and is—also a matter of interest. The most powerful supporters of the Democratic Party—measured in votes and financial contributions—are the national teacher unions, the National Education Association and the American Federation of Teachers (see chapter 6 by Terry M. Moe for a deeper discussion of the teacher unions’ ability to block reforms like school choice). The unions are unalterably opposed to vouchers for private schools. They have also worked hard to defeat any public school choice plan that provides meaningful competition to public schools or, more to the point, threatens the jobs of teachers.

By 1990, however, the Democratic Party was becoming just a bit uncomfortable with its antivoucher position. The families who suffer most from poor educational opportunity in America are economically disadvantaged, often minority, inner-city residents—who traditionally vote Democratic. But big-city school systems are where the problems of politics and bureaucracy interfere most with the creation of decent schools. For years, the families served by these schools were promised a better day. Yet over time, urban families saw mostly a series of failed or disappointing initiatives. Black children spent hours every week riding busses to attend schools with white children while white children fled the system of “forced bussing.” Meanwhile, their levels of achievement didn’t improve. Nor did they improve through federal compensatory aid programs launched during the War on Poverty. By 1990, surveys indicated a high degree of dissatisfaction with local schools among disadvantaged and minority families—and also a high level of support for vouchers and other forms of school choice.<sup>9</sup>

Republicans, though, were not ready to stick their necks out too far for vouchers. The Reagan administration was replaced by the more moderate Bush administration, and Bennett was ultimately succeeded by the thoughtful but less strident Lamar Alexander.<sup>10</sup> The new team advocated for vouchers as part of a broader emphasis on “break-the-mold schools” and invested in a major research and development

project for innovative school design called the New American Schools Development Corporation, now just known as New American Schools. The new team's multipronged approach also reflected the ambivalence of many Republicans toward school choice: Suburban schools, where Republicans tend to send their children to school, are not in crisis, and, frankly, they tend to find the idea that those schools might be chosen by inner-city kids a bit unsettling.

Nevertheless, politics had changed a great deal in less than a decade. School choice was being debated in Washington, D.C., as a central school reform strategy, whereas *A Nation at Risk* had failed even to mention it. Frustration with school performance had grown, especially in the inner cities, despite the country's aggressive efforts to improve schools after *A Nation at Risk*. Democrats were feeling crosspressured by inner city constituents, and Republicans had taken up school choice—sometimes aggressively, sometimes cautiously—as a pillar of their school reform model. Public opinion reflected these changes. Voucher support achieved majority status with the general public and strong majority status with low-income and minority citizens. Close inspection also revealed that most Americans had not formed very firm views on vouchers one way or the other—no surprise for an issue that was new to the policy agenda. While most people liked the idea of vouchers, they also preferred vouchers with basic government safeguards such as requirements for private schools to use certified teachers, to not discriminate academically in admissions, and to administer state tests.<sup>11</sup> The time was ripe for market-oriented reform, if not for revolution.

### Private School Vouchers

The first major event came in 1990. A maverick Democratic state legislator, Polly Williams, and a gutsy Republican governor, Tommy Thompson, teamed to enact the nation's first major voucher program in Milwaukee, Wisconsin.<sup>12</sup> Disillusioned with years of district and

state efforts to improve Milwaukee's poorest schools, Williams demanded vouchers to get black children off busses and into the only city schools that seemed to be working—small private schools that had been springing up to serve unhappy families. The Wisconsin program provided vouchers of \$2,500 to children from families eligible for the federal food stamp program. The vouchers could be used at only secular private schools and no more than 1 percent of the students in the Milwaukee school district, about 1,000 students, could participate. Two years later, the participation limit was raised to 1.5 percent. But the program's most significant change came in 1995, when the enrollment cap was raised to 15,000 students, the voucher was increased to nearly \$5,000, and the program was opened to religious schools. Because 90 percent of the private schools in Milwaukee were religious, the original program could never have served large numbers of students, even without the enrollment cap—at least not very quickly: It takes time for a market to supply new (nonreligious) private schools. When religious schools were allowed to participate, enrollment leaped from 1,500 students in the mid-nineties to roughly 10,000 students—and 100 private schools—in 2000.<sup>13</sup>

Milwaukee provided precedent for a second and equally significant voucher program, for the city of Cleveland, Ohio. In 1995, the state of Ohio created the Cleveland Scholarship Plan to provide desperately needed relief for low-income children stuck in chronically poor-performing city schools. Similar to the politics in Wisconsin, the Cleveland plan owed its adoption to Republican leadership and strong grass roots support from key black leaders in Cleveland. To ensure that children had ample private choices, from the beginning Ohio included religious and nonreligious private schools among the schools eligible to receive the vouchers. Although the voucher was set at only \$2,250 and could cover a maximum of 90 percent of tuition (parents having to cover the rest), the program enrolled 3,900 students in nearly seventy private schools by 2000.<sup>14</sup>

The successful introduction of voucher policies in Wisconsin and

Ohio did not inspire similar success nationwide. Vouchers for private schools remained a highly controversial idea, opposed tooth and nail by teacher unions, supported by grassroots organizations representing the poor, and advocated cautiously by maverick Democrats and conservative, free-market Republicans. Amidst this controversy, five attempts to create voucher programs through state referenda went down to defeat at the polls.<sup>15</sup> In each case, public opinion shifted from supporting the initiatives when they were proposed to rejecting them at the polls, a result of aggressive negative advertising by the public education establishment, particularly the teacher unions.<sup>16</sup> Only Florida, under the leadership of Republican governor Jeb Bush in 1999, was able to legislate a statewide voucher program. It is significantly compromised. The Florida program offers vouchers only to students in schools that qualify as unmitigated failures, and few students have been able to take advantage of them.<sup>17</sup>

However, the continuing strife should not be mistaken for lack of progress. Sluggishness on the policy front led philanthropists in New York City, Washington, D.C., Dayton, and San Antonio, among numerous other major cities, to start programs providing vouchers—called scholarships—to thousands of economically disadvantaged students in cities nationwide. When added to the students served by the Milwaukee and Cleveland government voucher programs, nearly 60,000 students across the United States were attending private schools instead of public schools with public or philanthropic support in 2002.<sup>18</sup> These numbers, while small from a national perspective, are significant. They have created active constituencies for private school choice in a host of major cities. They have encouraged a number of states, including Arizona, Florida, and Pennsylvania, to offer tax credits for contributions to private scholarship funds. And they provide a substantial test of the proposition that private school choice can help students, especially disadvantaged students, achieve academically.

Student achievement, of course, is what *A Nation at Risk* was all about. The early evidence indicates that private school choice works.

Several of the philanthropic choice programs have been designed to permit thorough evaluations of their effectiveness. Vouchers were awarded randomly, via lottery, to students who applied to the programs. Researchers were then able to compare students who requested vouchers and received them with students who requested vouchers but did not receive them. Because the vouchers were awarded by lottery, researchers can assume that the students selected for the program do not differ from those not selected for the program, in ways that are both observable—say, prior achievement, race, or family income—and nonobservable, like students' motivation to learn or their families' support for education. Known as a randomized field trial and used routinely in medical research, this research design is the best way to determine the effect of a program or treatment. It is rarely used in policy research, however, because government programs are seldom able to allocate benefits randomly. The Milwaukee voucher program, for example, used a lottery to award vouchers when there was excess demand. But in the early years before religious schools provided ample choice, parents did not apply for the vouchers in droves because there were few schools to choose from. Thus, studies using randomized samples, though mildly favorable toward vouchers, were hampered by small sample sizes.<sup>19</sup>

Three of the philanthropic voucher programs did not face such problems and thus provided high-quality random field trials. William G. Howell and Paul E. Peterson, both of Harvard University at the time, led teams that investigated the progress of thousands of students selected for and not selected for private school vouchers in Dayton, New York City, and Washington, D.C.<sup>20</sup> The results were generally consistent and mostly positive. They found that the private schools attended by voucher students, when compared with the public schools that these students would have attended, spent less, offered smaller classes, provided more focused academic programs and better disciplinary climates, expected more homework, and kept in closer touch with families. Parents of the voucher students were much more sat-

ified with their children's new school than were similar parents with children still in the public schools. Most important, black students saw their test scores rise in private schools more than their counterparts experienced in public school. Finally, there were no major ill effects from the program: In particular, students in the voucher program were neither academically nor ethnically different from students remaining in the public schools and the program neither "creamed" the best students nor exacerbated racial stratification in public or private schools—the most oft-cited fear among voucher opponents.<sup>21</sup>

Whether these findings hold up over time obviously remains to be seen, but there is reason to believe they will. The results are consistent with a great deal of research on the culture of private schools, beginning with that of Coleman in the early eighties. The finding that black students are the prime beneficiaries of the program, in terms of improvements in their test scores, is consistent with research on class-size reduction programs and other studies of public and private school achievement.<sup>22</sup> As Howell and Peterson argue, the finding on black achievement also makes fundamental sense: Black students have suffered the longest and the worst from the inadequacies of the American education and political systems. This is most true when it comes to school choice. Housing discrimination, economic disadvantage, and de jure segregation have combined to limit the educational choices of black children more so than the choices of any other major social group in America. It follows that black students would benefit most from the changes that school choice makes possible.<sup>23</sup>

At the twentieth anniversary of *A Nation at Risk*, it looks as if the United States may soon have many new opportunities to see whether the early findings about private school choice are valid. On June 27, 2002, the United States Supreme Court upheld the constitutionality of the Cleveland voucher plan. In a decision (*Zelman v. Simmons-Harris*) that was broad, clear, and unqualified, the Court held five to four that, by providing students the chance to attend religious schools at public expense, the Cleveland plan did not violate the Establish-

ment Clause of the First Amendment. The Cleveland plan satisfied a series of Constitutional tests that the Court had developed over the previous twenty years. The plan was created for the clear secular purpose of improving educational opportunity for the needy students of Cleveland. The plan left entirely to parents the choice of school to attend with the voucher—public, private nonsectarian, or religious. And in a new argument advanced by Justice Sandra Day O'Connor, the state of Ohio offered parents a range of choices, including charter schools (what Ohio calls Community Schools), suburban public schools, and tutoring programs—making the religious schools not the primary recipients of state support for school choice, but one among many. The latter argument was important because it said that a private voucher program should not be judged constitutionally as a policy unto itself but as part of a government's broader school choice policies. That argument helped to render irrelevant the fact that more than 90 percent of the private vouchers in Cleveland were redeemed at religious schools.

President George W. Bush hailed the Court's decision as "historic," comparing it with the Court's 1954 decision in *Brown v. Board of Education* that ended government sanction of "separate but equal" schools for black and white children.<sup>24</sup> Justice Clarence Thomas, in a concurring opinion, took a similar tack, writing, "Just as blacks supported public education during Reconstruction, many blacks and other minorities now support school choice programs because they provide the greatest educational opportunities for their children in struggling communities."<sup>25</sup> Opponents of vouchers promised to fight on in state courts and legislatures where state constitutions sometimes ban aid to private and religious schools. As Robert H. Chanin, the general counsel of the NEA, who argued against the Cleveland program before the Supreme Court, said, "This does not end the legal battle. It simply removes the Establishment Clause from our legal arsenal."<sup>26</sup> But the Court's decision is plainly a major victory for school choice. It removes a barrier that opponents have used time and again

to kill choice proposals. The decision also has huge practical implications, because a choice plan for private schools that rules out religious schools would exclude the vast majority of private schools in America from offering students new opportunity. Now it is much more likely that private school choice will be significantly widened—a revolutionary possibility that *A Nation at Risk* could never have anticipated.

### Charter Schools

If private vouchers represent the prospect of revolutionary change in public education—markets supplanting politics as the driving force behind the supply of public schools—another approach to school choice represents the prospect of evolutionary change toward a very similar end. Charter schools emerged in 1991 both as a compromise between market advocates and opponents and as an ingenious idea in their own right. Before the idea of charter schools developed, advocates of competition envisioned private schools as the catalyst for educational improvement, the alternative that would offer families new opportunities and force public schools to change. Charter schools provided a mechanism to produce competition and choice in public education without turning to private schools. Charter schools were to be open to all students, accountable to public authorities, and funded entirely with public moneys. Charter schools could not preach religion, exclude students for any reason, charge extra tuition, or do most of the things that worried opponents of private school choice. Yet charter schools held much of the promise of private school choice. Charter schools offered a means for schools not under the control of the traditional school system to educate students at public expense. Potentially, anyone could open a charter school—as long as they could win approval from a public chartering authority. Charter schools were to be free from much of the regulation that stymied innovation and sapped energy in the traditional public schools. Charter schools com-

peting with traditional public schools promised the kind of marketplace that might cause all schools to improve.

Charter schools emerged out of the same political pressure cooker that served up private voucher programs, but with a few different ingredients. The idea of charter schools actually enjoyed a measure of support from the toughest opponents of school choice, the national teacher unions. The late Albert Shanker, president of the American Federation of Teachers for more than a quarter century, introduced the idea to the policy world in a speech in 1988. He argued that teachers should be granted charters to run public schools of choice, free from the usual rules and regulations that frustrate teachers, but subject to strict accountability requirements. Shanker, a rare visionary among union leaders, was looking for a bold way for teachers to respond to the escalating demand for radical school improvement. *A Nation at Risk* had spawned a series of influential reports from governors, business leaders, and others calling for more dramatic action than had been in the offing. Charters were Shanker's way of saying that the union could see the virtue of a more marketlike system if it were controlled very carefully and if teachers had a chance to play a central role.<sup>27</sup>

Charters also appealed to the first Bush administration's fascination with "break the mold schools" and innovative school design. Private schools, whatever their claims to effectiveness, were not being touted for their inventiveness. If anything, they were being endorsed for their no-nonsense traditionalism. Charter schools offered something different, the prospect of new approaches to school organization, curriculum, instruction, technology, and more. Charters enjoyed further appeal because they fit with the popular notion of "reinventing government."<sup>28</sup> Charter schools offered a way to improve a government service by making it more entrepreneurial, instead of simply turning the service over to the private sector. By injecting choice and competition into the public sector, charter schools would enable the govern-

ment—that is, the public education system—to become more efficient and effective.

In 1991, Minnesota became the first state to authorize charter schools. Minnesota had been experimenting with public school choice throughout the eighties—including choice across district lines, the most threatening kind of choice to the education establishment. The state's governor, Rudy Perpich, a Democrat in the state's Progressive tradition, had championed public school choice over union opposition. Two of the nation's most prominent advocates of school choice, Joe Nathan and Ted Kolderie, hailed from Minnesota and helped develop the concept of charter schools into a practical policy. The state, which had a deserved reputation for decent public schools, saw charter schools not as a way to energize a stalled education system, but as a way to bring greater innovation and strength to a successful system. Unlike Milwaukee's voucher program, Minnesota's charter law held broad public appeal, at least rhetorically. Charters were about providing public education differently, not about replacing public education with private education. Charter schools were about strengthening public education, not about challenging its existence. Charter schools were about innovation, not just competition.

Minnesota set an example that was followed rather quickly by many other states. In 1992, California approved charter legislation. In 1993, Colorado, Georgia, New Mexico, Massachusetts, Michigan, and Wisconsin followed suit. By 2002, thirty-nine states and the District of Columbia had passed legislation authorizing charter schools. By offering a mechanism to provide meaningful choice and competition within the public system and by creating the prospect for innovative new schools, charter schools became the most favored approach to market-oriented reform in America.

In the fall of 2002, an estimated 2,700 charter schools were operating in thirty-six states and the District of Columbia.<sup>29</sup> A few states have yet to see their first charter schools open, but across the country this new kind of school, totally unknown to the authors of *A Nation*

*at Risk*, is delivering public education. In a number of states, charter schools have become a major presence: Arizona has 468 charter schools, California 452, Texas 228, Michigan 186, and Florida 232. Enrollment in charter schools has also become significant. At an estimated 575,000 students, charter schools enroll more than 1 percent of all K–12 students nationwide. In just eleven years of operation, charter schools are enrolling 10 percent as many students as private schools—and private schools have a 200-year head start.

So charter schools have clearly caught on. But how are they working? Have they raised the achievement of students attending them? Have they stimulated other public schools to improve? Have they been a source of innovation? And, have they generated any of the negative side effects that opponents have warned about? The simple answer is that it is too early to tell—but the early returns are promising.

The problem with drawing firmer conclusions is twofold. First, many charter school laws have been written to prevent charter schools from realizing their potential. The proliferation of charter laws should not be mistaken for a consensus in favor of them. The education establishment ultimately loathes competition and supports charter schools only as a last resort—to prevent reforms such as vouchers that are even more threatening. When the establishment cannot prevent charters from being adopted, it works to hamstring charter schools with restrictive charter legislation. Charter schools, for example, may require the approval of the local school district to operate—in effect, requiring new competitors to win approval from the local monopoly. Charter schools may be funded at less than the level of the public school competition, by providing no support for their facilities, for example. Charter schools may be required to remain within collective bargaining agreements, limiting the flexibility of the school to organize and reward a staff creatively. Charter schools may be limited in number so they cannot provide too much competition for the status quo. Taken together, these restrictions can weaken charter laws nearly fatally. One widely cited rating system classifies only twenty of the

country's charter school laws as "strong," meaning the law has the potential to bring about meaningful education change.<sup>30</sup> Any judgment about the effects of charter schools must control for the limitations that have been imposed upon their potential success. Until more states provide charter schools the full opportunity to succeed, we will be unable to draw firm conclusions about their effectiveness.

The second reason that conclusions about charter schools cannot be drawn with great confidence is that most charter schools have been open for only a few years. A five-year-old charter school is rarity. Schools take time to become established, and students take time to educate. Some charter schools have clearly failed to get the job done, and more than 200 have closed or been closed. Failure, of course, is part of the idea of competition: Schools that do not deserve to operate will cease to exist—a fate that rarely befalls even the worst of the country's traditional public schools. But charter growth has clearly overwhelmed charter contraction. In the eyes of parents, charters are increasingly offering a superior alternative to traditional public schools. It will be some time before we know how charters perform in the eyes of serious researchers.

It will also take time to understand the broader impact of charters on public education. The competitive marketplaces that charters might one day establish are just beginning to be created. Public schools do not know whether to compete or to wait for charter schools to go away. Thus far, the public school establishment has invested more energy in trying to limit charter growth legislatively than in competing educationally.<sup>31</sup> In this environment, families must also grapple with uncertainty: Are charter schools going to be around for the long haul or will they disappear, disrupting their children's education? At this stage in the introduction of charter schools, the market pressures that they might create for all schools to improve are just beginning to be felt.

The early data are nevertheless encouraging. Students who attend charter schools are more economically disadvantaged and racially and

ethnically diverse than the national average and are similar in economic disadvantage and diversity to their local communities. There is no evidence that charter schools “cream” the most affluent or successful students from public schools. Parental satisfaction with charter schools is high when compared with parental satisfaction in public schools generally and with parental satisfaction with their prior public school. Although evidence on the innovativeness of charter schools is mixed—and quite subjective—the evidence on student achievement is more positive and compelling.<sup>32</sup>

This is particularly true of the effects of charter schools on public education generally. In a carefully controlled study of student achievement in jurisdictions with high levels of charter school competition, Harvard economist Caroline Hoxby found that charter schools promoted substantial gains in student achievement among traditional public schools.<sup>33</sup> This finding is consistent with findings on the impact of public and private school competition more broadly—that the more competition public schools face from private schools or other public schools, the better the student achievement—and should therefore be taken seriously. It remains to be seen how charter schools themselves perform as a class; the early results range from better than to worse than local achievement norms. But if the presence of charter schools in a community in fact promotes improvement among traditional public schools, it stands to reason that charter schools must gain, too—or lose students and eventually close.<sup>34</sup>

Only time will tell. Opponents of charter schools would like to conclude that charter schools have been given a fair test and failed it. The American Federation of Teachers, having long since abandoned the concept that their former leader introduced, issued a highly critical study in 2002, calling for an end to any expansion of charter schools until the evidence of their success is conclusive.<sup>35</sup> That study, nothing more than a slanted rehash of other critical research, is more a measure of what charter schools have accomplished than what they have not. The establishment continues to fight charter schools politically be-

cause charter schools have become a force to be reckoned with educationally. Fair-minded observers will wait to judge the ultimate impact of charter schools and, in the meantime, encourage reforms that give charters a reasonable chance to succeed.<sup>36</sup>

### Privately Managed Schools

In 2002, private for-profit firms ran an estimated 370 public schools in the United States.<sup>37</sup> When *A Nation at Risk* was issued, that number was zero. Why did private management, scarcely an idea in 1983, grow so rapidly?<sup>38</sup> Because the ensuing twenty years created a market for them. This is important to appreciate, for the idea of market-based reform, in large measure, is to create conditions under which the supply of public schools can change. Traditional school reform is about improving the existing public schools; it is about public authorities formulating programs and plans to try to change what schools are doing directly. Market-based reform is very different; it is indirect. It aims to improve schools by creating an environment in which entirely new schools can come into being and existing schools are free to improve—or go under. School choice only makes sense if policy makers create the conditions—ideally a market—that allow for this kind of change. Critics of school choice often ask where students are going to go to school once the “good schools” are all chosen and filled up. Critics want evidence that a market for schools will generate a new and improved supply. Charter schools provide some of that evidence. Private management provides additional and distinctively important evidence.

The rapid growth of private management has essentially two sources. One is charter school policy. Charter schools created a vehicle by which for-profit managers could enter the market for new schools. Although most states require charter holders to be nonprofit entities, states permit charter holders to contract with for-profit firms for various goods and services, including the comprehensive management of

schools. For-profit companies can easily enter the market, then, by assembling a nonprofit board to serve as a partner and to acquire a charter. Charter boards also seek out management companies. Opening and running a school can be a daunting task, one that part-time boards have often decided to delegate to professional managers. By 2001, 10 percent of all charter schools were run by for-profit firms, representing two-thirds of all privately managed schools.

But this is only one source of for-profit growth—and in the long run perhaps not the more important source. Private companies are beginning to run schools for public school systems. In the years since *A Nation at Risk*, public school systems have come under tremendous pressure to improve. Competition from charter schools, and in some locales private schools, is forcing public school systems to improve their offerings or lose students and revenue. At the same time, state accountability systems are compelling school systems to raise student test scores or face serious sanctions. Private management companies have responded to these pressures, cultivating demand for their services from systems that, unlike charter schools, do not need help with the basics of school management. Companies have done this by offering much more than basic services. Firms typically offer comprehensive reform packages—involving classroom management, curriculum, instruction, assessment, technology, supervision, and evaluation, and even more—that districts can contract to be implemented in schools that either need major reform or want to try it. The contract might involve a single school or a larger cluster. Contracting enables a school district to introduce new and improved choices for families that might be thinking of switching to a charter or private school—and to do so quickly. Contracting also enables a district to assign schools with particular academic challenges—say, the lowest test scores—to a private manager, while devoting its energies to districtwide improvements.

By offering reform services and helping school systems respond to the pressures that they increasingly face, private management com-

panies have been in increasing demand. Coupled with demand from charter schools, the market has quickly given birth to numerous firms. Forty companies were in the business of education management in 2002. Thirty-six actually managed schools. Many were just getting started and ran only a school or two. But fifteen firms managed at least five schools, and several firms were growing rapidly. The largest by far is Edison Schools, which managed a little over a hundred schools and served 73,000 students in 2001–02.<sup>39</sup> Next in size are Chancellor-Beacon, a merged company with forty-four schools; the Leona Group, with thirty-three schools; National Heritage, with twenty-eight schools; and Mosaica, with twenty-two schools. Together these firms educated 143,000 students in twenty-four states in 2002.

Private management is an important development for school reform, of both the choice and accountability varieties. Private management has the potential to bring to education some of the classic benefits of the free enterprise system, but in completely new ways. Business has long supplied schools with textbooks, computers, software, training, and noneducational services such as food and transportation. Business adds value in these areas that schools or school systems cannot usually produce themselves. The value proposition of private management is that business can add similar or greater value by running entire schools. Business is not bound by the geography that constrains local school systems, and it can achieve economies of scale. A school district cannot easily develop the expertise and systems necessary to launch and manage comprehensive reform models. Business has access to capital that school districts do not, capital that can be used to equip schools and train staff for a completely new start. Business can introduce promotion and compensation systems that enjoy success in the private sector but are seldom even tried in the public sector. Business aims to accomplish these things with the same dollars per-pupil that the district deploys. And business brings the benefits of competition and accountability in its own right. Competition among private managers should drive up the quality of the services that they

offer to public education. Private managers are also under contract to produce academic results. If they fail, they can be fired—the ultimate guarantee of accountability and improvement.

As with every market-based reform, it remains to be seen how far private management will go. If chartering authority continues to grow, private management will play a growing role in charter schools. Running schools, particularly over the long haul, is a tough job that not every charter board will want to do alone. District schools are a more complicated story, mostly because politics come into play. The most powerful players in school politics, the national teacher unions, do not favor private management. Officially, the national unions are neutral, but that does not stop their locals from opposing private management when it is proposed in particular districts. This opposition played a crucial role in costing Edison Schools a contract for five schools in New York City in 2001 and helped to reduce the company's historic contract with the School Reform Commission (SRC) in Philadelphia from a proposed forty-five schools to twenty in 2002. On the other hand, Edison Schools has successfully negotiated with union locals in many other districts and even has a formal partnership with the AFT local in Miami.

Unions, however, are not the only force in school politics. Lately, a new force in favor of private management has come into play. State governments nationwide are giving themselves the power to take over individual schools and entire school systems that fail to improve academically. Once they have taken this step, states are contracting with private managers to run and turn around the failing schools. Maryland contracted with Edison in 2000 to operate three low-performing schools in Baltimore. Pennsylvania appointed the SRC, which contracted with four for-profit firms, including Edison, and three non-profit organizations to run forty-five schools in Philadelphia beginning in the fall of 2002. New Mexico planned to turn over a dozen or more low-performing schools to private managers in 2002. The states insist contractually that private managers improve student achievement.

Achievement is the final variable in predicting the future of private management. Of the crop of companies operating schools in 2002, only Edison had enough schools open for enough years to have a meaningful record of performance. That record is positive, as measured by the gains of its schools against national norms and state standards. RAND is conducting an independent evaluation of Edison's performance that will be published in 2004.<sup>40</sup> Meanwhile, the usual critics lambaste the achievement records of private managers, with studies of little scientific merit. From a policy standpoint, however, the debate over the performance of private managers is academic. State and local clients will judge whether private companies have delivered on their academic promises. For-profit firms that improve student achievement will have their contracts renewed and have a chance to grow. Those that disappoint clients will not. Like other market-based reforms, that is the exciting promise.

### **Market Essentials**

If market-based reform is to realize the potential it has begun to demonstrate in the years since *A Nation at Risk*, policy makers must take additional measures both to promote it and to guide it. Markets are not perfect. Given the chance they can be powerful engines for change, bringing to education the kinds of benefits they have brought throughout the free enterprise system. But markets must be carefully watched if they are to be fair and effective. This is particularly so for a public good such as education, where the government is paying for the service, the benefits are for society as well as for individuals, and the risks of inequity—already so prevalent in public education—are high. Accordingly, policy makers should follow a balanced course, advancing education markets while regulating them for the common good.

The following steps should be part of any such course:

1. States must continue to develop accountability systems for public schools. Such systems should include ambitious and explicit academic standards—for content as well as skills—coupled with standardized tests at every grade level to measure schools' success in meeting them. The federal *No Child Left Behind* law, enacted in 2002, will encourage progress in this direction, but state policy makers should not be satisfied with testing only reading and math as the law requires, nor settling for tests that measure only basic skills, a danger with the tests that are now commonly in use. Accountability systems must also include meaningful rewards and sanctions. *No Child Left Behind* will push states in the proper direction with this challenge as well, but states must find ways to motivate more than just their worst schools, the focus of the federal legislation. Strong accountability systems are vital in a world with freer education markets. If schools are to be freed from much of the top-down control that now frustrates them, they must be held to tough performance standards instead.
2. States must develop information systems to report thoroughly and publicly on the performance of every school. Many states have begun this process with the publication of school “report cards.” This practice is essential to the workings of an education system with substantial school choice. Families are more likely to make wise choices among schools if they know fully how schools perform. For every school, states should report standardized test scores, college entrance exam scores, the graduation rate, and student attendance. States should report how a school's test scores and test score gains compare with the scores and gains of demographically similar schools across the state and locally. States should also provide information that might bear on the ability of the school to do a good job—for example, the percentage of teachers with degrees in the subject they are teaching and the teacher attendance rate. Opponents of school choice worry that only savvy

parents will make good choices. States can ensure that all parents can make good choices by providing them with the right information. If schools are totally transparent, they will also be more sensitive to improving their performance.

3. States should take all necessary steps to enable charter schools to compete vigorously and fairly with the public schools run by school districts. States should remove all limits on the number of charter schools that may operate in a state or locale. Let families and the marketplace decide what the right number of charters should be. If traditional public schools are doing their jobs, charters will not grow explosively. States should not give local school systems the ability to veto charter applications within their jurisdictions. States should allow public bodies not tied directly to the education establishment—for example, public universities—to grant charters. States should support charter schools at the full per-pupil level of traditional public schools, including all local, state, and federal aid, general and categorical. And finally, states should provide charter schools with per-pupil capital funds. The biggest impediment to charter school growth is facilities: Most states force charter schools to pay for facilities out of operating funds, a severe disadvantage in their efforts to compete with traditional public schools, which receive capital budgets for facilities.
4. To enable traditional public schools to compete effectively with charter schools, states should relax the regulations governing curriculum, textbooks, teacher certification, staffing, minutes of instruction, and anything else that is substantially relaxed for charter schools. In the end, health and safety regulations, nondiscrimination requirements, and academic standards should comprise most of the state regulatory regimen. School districts can decide for themselves whether to change local regulations. States should lead the way in ensuring that all schools have the flexibility they need in order to innovate and succeed. In opposing choice, tra-

ditional public schools have often argued that the regulations they face make competition unfair. Precisely: Let's give all schools the flexibility to shape their programs in the best interests of their students and compete for their support.

5. Charter schools are an essential component of any publicly financed market-based system of education. Charter schools can be held accountable to state standards, and their charters are ultimately in the hands of public authorities. But any effort to revolutionize American education by putting more power in the hands of parents and less in the hands of system authorities would be foolish to overlook the country's rich resource of private schools. Roughly one in nine students in the United States is educated in a private school. Most of these schools educate a cross section of students and operate for a fraction of what public schools spend. Catholic schools are a prime example. In America's inner cities, private schools offer the only immediately available alternative to district schools. Charter schools will spring up in time. But meanwhile, states should provide vouchers for private schools. The vouchers should be carefully structured to ensure that private schools serve the public interest as effectively as possible. It is a common misconception, promoted by voucher opponents, that vouchers will promote inequity or reward unscrupulous or offensive operators. But the fact is, vouchers can be designed to work however policy makers want them to work. In this spirit, vouchers should be limited to low-income families, since they are the ones who need choices the most. The vouchers should be for use in religious as well as nonsectarian schools, since religious schools predominate and the purpose of voucher policy is to increase the supply of alternative schools. The voucher should be for less than the per-pupil allocation for charter schools—say, 15 percent less—since the objective of the market-based reform proposed here is to promote charter school growth, not private school growth. Pri-

vate schools that accept vouchers should also be required to take them as payment in full for their services: Private schools should not be permitted to discriminate against families unable to top off the tuition with personal funds. Private schools should also be required to administer whatever tests are part of the state accountability system, if a majority of a school's students attend with the benefit of vouchers. Private schools should not, however, be held to any other accountability standards that might apply to charter schools. The state should accept the value of their private status as an alternative arena for school innovation. In an education marketplace brimming with information, private schools will need to convince families of their worth. Private schools should therefore be trusted to provide ample information about their performance on their own.

### Conclusion

The kinds of gains in student achievement that *A Nation at Risk* insisted the country must bring about have obviously not taken place. The reasons for this are many, but among them is the continued reliance of policy makers on the traditional school system to make the gains happen. Meanwhile, policy makers have begun extensive experimentation with an idea—choice—that has the potential to bring about much more meaningful improvement. These experiments are changing the politics of school reform, building constituencies of satisfied families who would be unwilling to return to traditional schools, and creating demand for more choices among those families who are dissatisfied with existing schools but unable to get into the scarce alternatives. They suggest that a revolution may yet be in our future.

Policy makers would do well to heed the recommendations above as they respond to the continuing demand for improvement. They would do well to recognize that market-oriented change takes time

and that the reforms enacted over the last decade must be given the time to prove themselves—or not. For these recommendations are not mere *school* reforms. These recommendations promise fundamental change in the way the American education system operates. They promise to strengthen public education by making it more accountable for student achievement, more attentive to the wishes of families, and more innovative in its use of scarce resources. They promote the influence of market forces but keep democratic authority ultimately in control, regulating the market for the public good. And finally, as we reflect on the significance of *A Nation at Risk* and ask whether the gains in achievement that it challenged us to make will eventually be made, the answer will depend less on the progress of reforms that it advocated and more on the progress of reforms it failed to anticipate altogether.

### Notes

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4. James S. Coleman et al., *Equality of Education Opportunity* (Department of Health, Education, and Welfare, 1966).
5. For a critical discussion of Coleman's findings on bussing, see Gary Orfield, *Must We Bus? Segregated Schools and National Policy* (Washington, D.C.: Brookings Institution Press, 1978).

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7. Paul Hill et al., *High Schools with Character* (Santa Monica, Calif.: RAND, 1989). The superior performance of Catholic schools was later demonstrated in Anthony S. Bryk, Valerie E. Lee, and Peter B. Holland, *Catholic Schools and the Common Good* (Cambridge, Mass.: Harvard University Press, 1993), though they argued that the quality of Catholic schools is not due to the market pressures that those schools face.
8. John E. Chubb and Terry M. Moe, *Politics, Markets, and America's Schools* (Washington, D.C.: Brookings Institution Press, 1990).
9. On public opinion toward school choice and vouchers, see especially Terry M. Moe, *Schools, Vouchers, and the American Public* (Washington, D.C.: Brookings Institution Press, 2001).
10. Lauro Cavazos briefly served as secretary of education between Bennett and Alexander.
11. Moe, *Schools, Vouchers, and the American Public*.
12. Vermont and Maine have “tuitioning plans” dating to the mid-1800s that pay for thousands of students to attend private secular high schools when their towns have no public high schools. While these plans are identical in form to vouchers, they set little precedent—and provoke little opposition—because they produce little competition and do not threaten existing public schools.
13. William G. Howell and Paul E. Peterson, *The Education Gap: Vouchers and Urban Schools* (Washington, D.C.: Brookings Institution Press, 2002), 30–31.
14. *Ibid.*, 31.
15. For a brief recap of those defeats, see “Vouchers on the Ballot,” *Education Week XXXI*, no. 42 (July 10, 2002), 24.
16. Moe, *Schools, Vouchers, and the American Public*.
17. Florida also has implemented a voucher program for special education students which, unlike the voucher for students in failed schools, has attracted a large number of participants seeking services they are unable to find in their neighborhood schools.
18. Howell and Peterson, *The Education Gap*, 29.
19. *Ibid.*, 30.
20. *Ibid.*

21. A thorough review of the empirical evidence on creaming in schools of choice generally is Paul T. Hill, ed. *Choice with Equity* (Stanford, Calif.: Hoover Institution Press, 2002).
22. For a collection of research on the achievement of black students and on programs and policies that have boosted it, see John E. Chubb and Tom Loveless, eds. *Bridging the Achievement Gap* (Washington, D.C.: Brookings Institution Press, 2002).
23. Howell and Peterson, *The Education Gap*, 185–7.
24. Elisabeth Bumiller, “Bush Calls Ruling About Vouchers a ‘Historic’ Move,” *New York Times*, July 2, 2002, A1.
25. Mark Walsh, “Charting the New Landscape of School Choice,” *Education Week XXXI*, no. 42 (July 10, 2002), 20.
26. *Ibid.*, 18.
27. The history of charters is best told in Chester E. Finn Jr., Bruno V. Manno, and Gregg Vanourek, *Charter Schools in Action* (Princeton, N.J.: Princeton University Press, 2000), 53–73.
28. See David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector* (Reading, Mass.: Addison-Wesley, 1993).
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32. The most comprehensive reviews of the evidence are Hill, ed. *Choice with Equity*; and Finn, Manno, and Vanourek, *Charter Schools in Action*. For an opposing review of the evidence, see American Federation of Teachers, *Do Charter Schools Measure Up? The Charter School Experiment After 10 Years* (July 2002).
33. Caroline M. Hoxby, “How School Choice Affects the Achievement of Public School Students,” in Hill, ed., *Choice with Equity*, 141–78.
34. *Ibid.*
35. *Ibid.*
36. This is the recommendation of the independent RAND study, B. P. Gill

## Real Choice

361

et al., *Rhetoric Versus Reality: What We Know and What We Need to Know About Vouchers and Charter Schools* (Santa Monica, Calif.: RAND, 2001).

37. The material for this section is from internal Edison Schools research, "A Brief Overview of For-Profit Management Organizations," April 2002.
38. For a history of private management prior to the recent period, and from a rather critical standpoint, see Carol Ascher, Norm Fruchter, and Robert Berne, *Hard Lessons: Public Schools and Privatization* (New York: The Twentieth Century Fund Press, 1996).
39. The school count for Edison refers to the number of school buildings it manages, and not, as Edison usually reports, its number of K-5, 6-8, and 9-12 grade groupings.
40. Edison Schools, Inc. *Fourth Annual Report on School Performance*, October 2001.