

Chapter 10

Privatization and School Choice

How can a school system involving nearly 3 million teachers, about 45 million children, and nearly 17,000 local school districts be converted from government management and control to a pluralistic and private system? What is the best way to break the public school monopoly? Fortunately, there is a wealth of experience from other fields, as well as from schooling in some parts of the country, that can be brought to bear on the task.

This chapter presents an overview of the national and international movement to shift the provision of goods and services from the public to the private sector, a process called privatization. It then describes, in greater detail than was provided in Chapter 1, small-scale privatization efforts now underway in schooling, such as charter schools, contracting out, tax credits, and pilot public school vouchers.

THE PRIVATIZATION MOVEMENT

Many services now delivered by governments were once delivered privately by firms, civic organizations, or individuals.¹ The list

¹Stephen Davies, "The Suppression of Private Provision," *Economic Affairs*, 7 (August/September 1987); Robert W. Poole, *Unnatural Monopolies: The Case for Deregulating Public Utilities* (Lexington, Mass.: Lexington Books, 1985); Sam Bass Warner Jr., *Streetcar Suburbs: The Process of Growth in Boston, 1870–1900* (Cambridge:

includes such basic services as sewers and drinking water, roads, parks, zoning, traffic lights, mass transit, and as we saw in Chapter 7, schooling. Some goods and services often used to illustrate the problem of public goods, such as raising bees for pollinating crops and operating lighthouses, have long histories of successful private provision.²

Disappointment with the quality of government-run services in the United States and around the world led to efforts to return the production of a wide variety of commodities to the private sector, a process that management expert Peter Drucker called reprivatization in 1968, and one we now know simply as privatization.³ Writing in 1992, E. S. Savas gave two definitions of privatization: "In the broadest definition, one which emphasizes a philosophical basis, privatization means relying more on the private institutions of society and less on government (the state) to satisfy people's needs. These private institutions include: the market-place and businesses operating therein; voluntary organizations (religious, neighbourhood, civic, cooperative and charitable, for example); and the individual, family, clan or tribe. According to a second and more operational definition, privatization is the act of reducing the role of government, or increasing the role of the private sector, in an activity or in the ownership of assets."⁴

Savas casts the wide range of methods for delivering goods and services into ten categories shown in Table 10.1. The first two options rely on the public sector both to produce the good and pay for its delivery. The next four options rely on the private sector to produce the good while the public sector provides funding to

Harvard University Press, 1962); David T. Beito, "Voluntary Association and the Life of the City," *Humane Studies Review* 6, no. 1 (fall 1988): 1ff; Christine M. Johnson and Milton Pikarsky, "Toward Fragmentation: The Evolution of Public Transportation in Chicago," in *Urban Transit: The Private Challenge to Public Transportation*, ed. Charles A. Lave (San Francisco: Pacific Institute for Public Policy Research, 1984).

²Tyler Cowen, ed., *The Theory of Market Failure: A Critical Examination* (Fairfax, Va.: George Mason University Press, 1988).

³Peter F. Drucker, *The Age of Discontinuity* (New York: Harper & Row Publishers, 1968), 234.

⁴E. S. Savas, "Privatization," in *Encyclopedia of Government and Politics*, vol. 2, ed. Mary Hawkesworth and Maurice Kogan (New York: Routledge, 1992), 821.

TABLE 10.1 Privatization Options with Applications to Education

<i>Funder</i>	<i>Deliverer</i>	
	<i>Public</i>	<i>Private</i>
Public		
Government service	Conventional public school system where government both funds and manages nearly all schools	
Intergovernmental agreements	Public school choice, where pupils attend schools outside their districts and the sending district pays tuition to the receiving district.	
Contracts		Public school system issues charters to private groups to operate schools.
Franchises		Public school contracts with education management organization to run local public schools.
Grants		Private schools get government grants for some or all enrolled students, perhaps for specialized services or transportation.
Vouchers and tax credits		Parents get public assistance to pay for tuition at private nonprofit and for-profit schools.

(Continued)

TABLE 10.1 Privatization Options with Applications to Education (*Continued*)

<i>Funder</i>	<i>Deliverer</i>	
	<i>Public</i>	<i>Private</i>
Private		
Government vending	Local public school accepts out-of-district pupil and is paid by parents.	
Free market		Private nonprofit and for-profit schools compete for pupils without tax subsidies.
Voluntary service		Charities finance private schools or provide scholarships to needy pupils.
Self-service		Home schooling: Parents educate their children themselves at home or in partnership with other parents.

SOURCE: Adapted from E. S. Savas, *Privatization and Public Private Partnerships* (New York: Chatham House Publishers, 2000), Figure 4.1 (p. 66) and Table 4.6 (p. 88).

ensure it is delivered. The seventh option (government vending) is for government to produce the good and provide consumers to pay for it. The final three options rely on the private sector to both produce and arrange for payment for the good.

Privatization is the process of moving from the top left boxes in Table 10.1 to the boxes in the table's lower right. Activities and services that have made such moves since 1980 include such sophisticated enterprises as multi-billion-dollar insurance funds, airports, hospitals, ports and harbors, prisons, railroads, and waterworks. They also include parks, golf courses, sports stadiums and arenas, police and fire services, and building maintenance. Often the switch is attributable to complaints of high costs and poor service, making continued reliance on the public sector a liability for elected officials.

Privatization is a global phenomenon. Research conducted by the World Bank in the 1980s found 87 countries had completed 626 privatizations and planned to undertake 717 more.⁵ In 1997 alone, state-owned enterprises worth an estimated \$157 billion were sold to the private sector.⁶

Extensive research shows that privatization delivers significant cost savings, greater accountability and responsiveness to consumers or elected officials, and a level of quality equivalent or superior to public-sector delivery.⁷ A comprehensive survey of

⁵Ibid., 828.

⁶E. S. Savas, *Privatization and Public-Private Partnerships* (New York: Chatham House Publishers, 2000), 167.

⁷Adrian Moore, *Privatization '97: Eleventh Annual Report on Privatization* (Los Angeles: Reason Foundation, 1997); William D. Eggers and John O'Leary, *Revolution at the Roots: Making Our Government Smaller, Better, and Closer to Home* (New York: Free Press, 1995); General Accounting Office, *Privatization: Lessons Learned by State and Local Governments* (Washington, DC: United States General Accounting Office, 1997); Robert Poole, *Cutting Back City Hall* (New York: Universe Books, 1980); Carl F. Valente and Lydia D. Manchester, *Rethinking Local Services: Examining Alternative Delivery Approaches*, Management Information Service Special Report No. 12 (Washington, DC: International City Management Association, 1994); Charles Wolf Jr., *Markets or Governments: Choosing between Imperfect Alternatives* (Cambridge: The MIT Press, 1988); E. S. Savas, *Privatizing the Public Sector* (Chatham, N.J.: Chatham House Publishers, Inc., 1982); Savas, "Privatization" and *Public-Private Partnerships*.

more than 100 independent studies of privatizations in a wide variety of fields, conducted by John Hilke for the Reason Foundation, found they resulted in cost reductions of between 20 percent and 50 percent.⁸

Savas, Barbara Stevens, and other experts identify less bureaucracy and higher worker productivity attributable to better supervision, less paid time off, and superior equipment as the reasons why private-sector firms typically outperform government agencies.⁹ These policies are more common in the private sector because firms must compete to produce higher quality and lower costs or they lose business to more efficient competitors. Because they do not need to compete to survive, government agencies can be indifferent or hostile to these considerations.

Many proposals to privatize some or all of K–12 education in particular cities and states of the United States have been advanced but not yet tried.¹⁰ Considerable experience with privatizing education internationally also provides a wealth of models, case studies, and experience from which to draw when planning

⁸John Hilke, *Cost Savings from Privatization: A Compilation of Study Findings* (Los Angeles: Reason Foundation, 1993). For other surveys, see also James T. Bennett and Manuel H. Johnson, *Better Government at Half the Price* (Ottawa, Ill.: Carolina House Publishers, Inc., 1981); T. E. Borcharding, ed., *Budgets and Bureaucrats: The Sources of Government Growth* (Durham: Duke University Press, 1977); Savas, chap. 6 in *Public-Private Partnerships*, 147–73.

⁹Savas, *Public-Private Partnerships*; Barbara Stevens, *Delivering Municipal Services Efficiently: A Comparison of Municipal and Private Service Delivery* (New York: Ecodata, Inc., 1984), 15ff.

¹⁰Herbert Walberg et al., *We Can Rescue Our Children* (Chicago: The Heartland Institute, 1988); John E. Coons and Stephen D. Sugarman, *Education by Choice: The Case for Family Control* (Berkeley and Los Angeles: University of California Press, 1978); John E. Coons and Stephen D. Sugarman, *Family Choice in Education: A Model State System for Vouchers* (Berkeley: Institute of Governmental Studies, 1971); Daniel D. McGarry and Leo Ward, eds., *Educational Freedom* (Milwaukee: The Bruce Publishing Company, 1966); Myron Lieberman, *Privatization and Educational Choice* (New York: St. Martin's Press, 1989); David Kirkpatrick, *Choice in Schooling: A Case for Tuition Vouchers* (Chicago: Loyola University Press, 1990).

school reform.¹¹ The principal types of education privatization tried so far—charter schools, private scholarships, contracting out, tuition tax credits and deductions, homeschooling, and public vouchers—are summarized below. School vouchers, the most ambitious proposal for privatization now under consideration, is the subject of further analysis in Chapter 11.

CONTRACTING OUT FOR SERVICES

Contracting out for services by state and local governments and by government school systems became widespread and publicly accepted during the 1990s.¹² Private companies operate cafeterias, provide school bus service, and maintain facilities and grounds more effectively and at a lower cost than school employees. These companies specialize in the services they perform, and so know how to deliver them in the most efficient fashion. When they are local divisions of national firms, they often can use their bulk purchasing power to buy supplies and equipment at prices lower than what schools would pay.

Opportunities for contracting out have expanded dramatically as the conditions that produced the government school classroom have been replaced or challenged by social, demographic, and technological change. Education, says Guilbert Hentschke, a professor of education at the University of Southern California, has evolved from a social service into an industry. Government schools find themselves surrounded by “a plethora of highly specialized for-profit and private non-profit ‘education businesses’

¹¹Charles L. Glenn, *Educational Freedom in Eastern Europe* (Washington, DC: Cato Institute, 1995); Harry Anthony Patrinos and David Lakshmanan Ariasingam, *Decentralization of Education: Demand-Side Financing* (Washington, DC: The World Bank, 1997).

¹²Lieberman, *Privatization and Educational Choice* (in note 10 above); Diane Kittower, “Counting on Competition,” *Governing* 11, no. 8 (May 1998): 63–74; Sam Staley, “Competitive Contracting in Public Schools,” in *Policy Report* (Columbus: The Buckeye Institute for Public Policy Solutions, 1996); Caroline Hendrie, “In Chicago, It’s Full Speed Ahead as Vallas & Co. Begin Second Year,” *Education Week*, 7 August 1996 1, 22–23.

that provide services and goods that complement, supplement, and sometimes supplant the services traditionally provided by public school teachers.”¹³

Much like true professionals, such as lawyers and doctors, some teachers have started their own private practices with multiple clients billed only for the services they require.¹⁴ The result is lower personnel expenses for the school, plus the services of specialized teachers the school might not be able to afford to hire full-time. This new approach to teaching, which actually returns the teaching profession to the model it pursued for centuries until the mid-1800s, has spread across the country and is now represented by rapidly growing professional associations.¹⁵

Some courses, such as advanced physics, calculus, and Japanese, attract relatively small numbers of students and require highly paid or specialized teachers. Many schools hire full-time teachers capable of teaching these courses and then have them spend much of their time teaching introductory classes or even managing study halls. As an alternative, schools can contract with private-practice teachers for just those hours or services the school actually needs.

This barely begins to describe the opportunities for decentralizing the classroom. Hentschke identifies other such opportunities as “tutoring, technology training (for teachers as well as students), elementary science education, non-English language instruction, education-oriented child care, classroom materials, teacher staff development, special education, high school dropout prevention, college advising, home schooling services, and student travel pro-

¹³Guilbert Hentschke, foreword to *The Educational Entrepreneur: Making a Difference*, by Donald E. Leisey and Charles Lavaroni (San Rafael, Calif.: Edupreneur Press, 2000), 18.

¹⁴Dennis C. Zuelke, *Educational Private Practice: Your Opportunities in the Changing Education Marketplace* (Lancaster, Pa.: Technomic Publishing Company, Inc., 1996); Jane R. Beales, “Teacher, Inc.: A Private-Practice Option for Educators,” in *Analysis* (Portland: Cascade Policy Institute, 1994).

¹⁵Association of Educators in Private Practice, as well as the International Academy for Educational Entrepreneurship.

gramming. For-profit education businesses are even operating entire schools.”¹⁶

Some technologies now being developed in the private sector offer the possibility of not only greater effectiveness but also lower costs and greater student convenience. We may immediately think of the Internet’s promise, but we have insufficient research on its present or potential effects on learning. Distance education is a better example.¹⁷ Distance education can free students from the limitations of space, time, and age, and has a long record of success in high- and low-income countries. Broadcast media, moreover, can multiply the effects of both books and traditional teaching.

Distance education can include correspondence texts, books, newspaper supplements, radio and television broadcasts, audio and video cassettes, films, computer-assisted learning, and self-instructional kits, as well as such local activities as supervision, supplementary teaching, tutoring, counseling, and student self-help groups. Scarce resources of scientific, pedagogical, and media expertise concentrated in development centers may thus be spread widely. The shortage of mathematics and science teachers in the United States and elsewhere is one good reason for employing distance-learning programs.

Distance-learning approaches can be highly cost-effective when large numbers of students follow the same preproduced courses. Far more than a single teacher working alone, distance courses can incorporate validated subject matter and systematic instructional design. They spread developmental costs for high-quality programs over hundreds of thousands of students. In states such as Minnesota and Oklahoma, they provide excellent courses in subjects such as calculus, which would otherwise be unavailable in small rural and suburban schools. In high-density areas, the British Open University and the Chicago City Colleges have greatly enlarged opportunities for study, especially for those who cannot

¹⁶Hentschke, foreword to *Educational Entrepreneur*.

¹⁷Herbert J. Walberg, “Improving School Science in Advanced and Developing Countries,” *Review of Educational Research* 61 (1991): 2569.

attend usual daytime classes. Distance-learning programs can build on proven principles of individualized study by including clear learning objectives, self-assessment materials, student activities, and opportunity for feedback periodically or on demand.

Contracting out for facilities is another promising alternative. For many families, a school located near a workplace or in a shopping mall would be more convenient than one located in a residential neighborhood. As the nation's economy continues to move from manufacturing to services, more and more workplaces are in quiet, safe, and clean office buildings—perfect sites for schools. Locating small schools in office buildings or shopping malls can significantly reduce capital, maintenance, and transportation costs.¹⁸ This also creates opportunities for partnerships with employers that can enhance curriculum and vocational experiences and further reduce operating expenses.

CHARTER SCHOOLS

From humble beginnings in Minnesota in 1992—just 4 schools—the charter school movement had grown to 2,372 schools serving 576,000 students at the beginning of the 2001–2002 school year.¹⁹ Although unions and state and local school boards often have made it difficult to obtain charters, as of 2001, at least 37 states have enacted charter legislation. Twenty-one states allow for-profit management, operation, or both.²⁰ Approximately half of the schools, however, operated in only 4 states: Arizona, California, Michigan, and Texas.²¹ Other states severely limit their number, scope, and autonomy.

¹⁸Mark Howard, "The Benefits of Shared Facilities," *School Reform News*, December 2001, 8.

¹⁹"Charter School Update," *School Reform News*, December 2001, 8.

²⁰Pearl Rock Kan and Christopher J. Lauricella, "Assessing the Growth and Potential of Charter Schools," in *Privatizing Education*, ed. Henry M. Levin (Boulder, Colo.: Westview Press, 2001), 203–33. See particularly pp. 208–9 and 212.

²¹George Clowes, "Boom Continues in New Charter Schools," *School Reform News*, March 2000, 20.

Charter schools are a species of what Savas called delegation by contract or franchise. The schools are funded by taxpayers but governed by private groups that agree to abide by the terms of a charter issued by local or state school boards or other government agencies. The charter board manages or operates the school for a specified period of time, typically five years. Charter schools usually must admit all applicants or, if they are over-subscribed, admit by lottery. They must abide by civil rights laws and publicly report financial, achievement, and other information. The issuer of the charter may rescind it if the school performs poorly, particularly as measured by standardized tests.

Although rules and regulations vary from state to state, charter schools are generally exempt from most state and local school regulations. Often, for example, they are not required to hire unionized or certified teachers. Managing boards may hire and evaluate for-profit or not-for-profit firms to operate charter schools, an attractive idea because operating boards may not objectively evaluate their own offerings.

Research to date suggests that the charter school arrangement may not change schools enough to have a large impact on student achievement.²² However, the nearly universal finding is that parents of charter school students are much more satisfied with all aspects of their children's schools than are comparable public school parents. The latter finding is, of course, exactly what economics predicts. Choice and competition work to the consumer's advantage and satisfaction.

By the end of December 2000, 86 charter schools—about 3 percent of the charter schools ever opened—had failed due to financial problems, mismanagement, academic failure, or low enrollment. These school closures are further evidence of the success of the charter school model, because they mean consumers were free to find a superior producer and did so, causing inefficient or low-quality producers to go out of business. Regular

²²Brian P. Gill et al., *Rhetoric Versus Reality: What We Know and What We Need to Know About Vouchers and Charter Schools* (Santa Monica, Calif.: RAND Corporation, 2001), xiv.

public schools, being monopolistic or subsidized largely without accountability and competition, almost never close because consumers are often powerless to leave them.

Twenty states now have laws allowing parents to start their own schools and petition state or local authorities for public funding based on a per-pupil formula. These programs typically pay less than the current per-pupil spending of the neighborhood public schools, so each student who transfers from a public school to a charter school saves the school district money. Because charter schools seldom receive funding for capital costs, their presence also reduces the school district's capital budget needs.

Charter schools bring a welcome diversity of philosophies and educational methods, yet they are subject to greater accountability for achievement than other government schools. The large and growing number of parents who send their children to charter schools attest to their consumer appeal.

PRIVATELY FUNDED VOUCHERS

Starting with a program established by Golden Rule Insurance CEO J. Patrick Rooney in Indianapolis in 1991, scores of individuals, firms, and foundations have created privately funded scholarship programs to enable poor and often minority children to attend private schools, both parochial and independent.²³ By the 2000–2001 school year, some 80 programs had supported more than 50,000 students at a cost of nearly \$500 million.

Although private charity has long played an important role in private K–12 education, the private voucher movement is something new. Rather than going directly to schools, financial support goes to parents, who are free to choose the schools their children attend. The vouchers typically cover less than the full cost of private school tuition, requiring parents to make their own contributions toward the cost. And because the programs are often over-subscribed, scholarships are often awarded only to

²³Terry M. Moe, "Private Vouchers: Politics and Evidence," in *School Choice or Best Systems: What Improves Education?* ed. Margaret C. Wang and Herbert J. Walberg (Mahwah, N.J.: Lawrence Erlbaum Associates, 2001), 67–126.

randomly selected low-income children, thereby providing social scientists with valuable data with which to estimate the impact of choice on student achievement.

The founders of the privately funded voucher movement set out to demonstrate that low-income families wanted school choice, that they would choose wisely when given that opportunity, and that their children would be welcome in quality private schools. There is little dispute they have proven all three points.

Research reported by Harvard University's Paul Peterson, the RAND Corporation, and others, summarized in Chapter 1, found that private scholarship programs increase low-income and African-American students' academic achievement. Academic achievement and an orderly learning environment consistently rank at the top of the list of factors taken into consideration by parents when choosing a school. Parental satisfaction and the long waiting lists of students applying for private vouchers are clear indications that parents want to choose the schools their children attend and that even modest financial assistance significantly increases the probability that children will attend private rather than government schools.

Private voucher programs are not substitutes for publicly funded school vouchers. There are simply too many students in the United States for private philanthropists to rescue them all from failing governments schools. The \$500 million spent by philanthropists on private voucher programs to date is less than 1 percent of the \$364 billion spent in a single year (2000) on K-12 government schools. Nevertheless, the private scholarship movement has helped focus attention on the crisis in inner-city schooling and the benefits school choice can bring to the most needy and vulnerable members of society.

TUITION TAX CREDITS AND DEDUCTIONS

An indirect way to encourage education privatization is to give tax credits, deductions, or some combination of the two to taxpayers who contribute toward the tuition of children attending private K-12 schools. Minnesota and Ohio have long-running

programs that allow legal guardians of school-aged children to claim tax deductions and credits for private school expenses; Illinois adopted a similar program in 1998. In 1997, Arizona launched a program that allows guardians as well as unrelated individuals to claim a credit of up to \$500 against their income taxes for contributions to organizations that give students scholarships to attend private elementary and secondary schools. Florida and Pennsylvania followed suit in 2001.

Arizona's program generated approximately \$32 million from 1998 to 2000, enough to fund roughly 19,000 scholarships. The program could raise up to \$58 million a year, enough to shift between 11,000 and 37,000 students from government to private schools.²⁴

Florida's tax credit program gives Florida-based corporations a 100 percent tax credit for contributions made to scholarship-granting organizations, up to a maximum of 75 percent of the corporation's total corporate income tax liability. The scholarship-granting organizations can use the corporate contributions to fund low-income students who move from one public school district to another, pay tuition for private schools, or buy textbooks and instructional assistance.

Pennsylvania's legislation gives corporations a 75 percent tax credit for one-year commitments and 90 percent tax credits for two-year commitments to scholarship and public school foundations. By February 2002, 722 Pennsylvania companies had signed up to contribute \$16.5 million to 96 scholarship-granting organizations, and another \$5.6 million to 77 public school-improvement organizations.²⁵

²⁴Carrie Lips and Jennifer Jacoby, "The Arizona Scholarship Tax Credit: Giving Parents Choices, Saving Taxpayers Money," *Policy Analysis*, no. 414, (November 2001).

²⁵Jan Murphy, "Scholarships Awarded as Program Is Debated," *The Patriot-News* (Harrisburg, Pa.), 28 February 2002. The data on giving to public schools is from Kevin Teasley, "Pennsylvania Gives Boost to Scholarship and Public School Foundations, Encourages Corporate Involvement in Education through Tax Credits," News Release, Greater Educational Opportunities Foundation, 4 December 2001.

At the national level, modest tax relief was given in 2001 to parents who chose private K–12 schools or colleges. Coverdell Education Savings Accounts (ESAs) allow parents and nonguardians to set aside up to \$2,000 a year in savings accounts for K–12 and college costs, including tuition, books, supplies, tutoring, and home computers. Although contributions to an ESA are not tax-deductible, the interest that accumulates is tax-free and withdrawals are not subject to taxation if used for qualified expenses.

In 2002, President Bush proposed a federal tax credit that would cover 50 percent of the first \$5,000 of expenses incurred by families that transfer children from failing government schools to different schools of choice, whether government or private. Only families whose children attend failing government schools would be eligible. The credit would be refundable for families whose income tax liability is less than the \$2,500 cap. The tax credit was projected to cost \$3.5 billion over five years.²⁶ The plan was dropped during negotiations with Congress over what eventually became the No Child Left Behind program.

Like private voucher programs, tax credits and deductions are likely to privatize only a small fraction of the current education system. Low-income families often cannot participate in programs that limit tax benefits to parents and guardians, because they do not pay income taxes or cannot afford to pay tuition first and receive the tax benefit many months later. Even middle-income families benefit only to a small degree because their annual state income tax liabilities usually amount to a small fraction of the annual cost of a child's tuition at a private school. The results of Arizona's tax-credit plan are telling: From 1998 to 2000, funds contributed under the program amounted to less than 0.3 percent of tax funding given to government schools during the same period.

²⁶Robert Holland and Don Soifer, "Bush Proposes Education Tax Credits," *School Reform News*, April 2002, 4.

Total charitable donations to all levels of education in 1999 totaled just \$27 billion, or about 7 percent of that spent by governments on K–12 schooling. Charitable giving by corporations in 1999 to all causes totaled \$11 billion. Private and corporate charity earmarked for K–12 schooling would have to increase twentyfold or more to supplant taxes as the principal source of funding for schooling. Like lower- and middle-income families, corporations and the wealthy would zero out their tax liabilities long before this level of giving was reached.

Nevertheless, tuition tax deductions and credits are valuable. They help diversify the funding of private voucher programs, allowing them to continue to grow and demonstrate the benefits of competition and school choice. They also provide some degree of tax justice by recognizing that families that pay private school tuition should not also have to support, through their taxes, the government schools they choose not to use.

HOMESCHOOLING

Teaching one's children at home represents the most extreme form of decentralization and privatization in education. Parents of an estimated 1 million children were educating their children at home in 2000, compared with only about 125,000 children in 1983.²⁷ That such a large and rapidly increasing number of parents would devote their own valuable time to teaching their children, rather than enroll them in free public schools, is evidence of several social trends, including an increase in religiosity, rising affluence, and a high degree of dissatisfaction with both government and private schools.

When asked why they choose to homeschool their children, the most common reason parents give is they believe they can give them a better education at home. Other reasons are a perceived poor learning environment at school, objections to what is taught, and the lack of challenge presented by the usual school

²⁷Christopher W. Hammons, "School at Home," *Education Next*, winter 2001, 48–55.

offerings. Interviews with homeschoolers show that they place a heavy emphasis on study skills, critical thinking, independent work, and love of learning. They also place more emphasis on reading, writing, and mathematics and less emphasis on such activities as gym, band, and study hall.

Homeschooled children appear to perform moderately better than the national average on college entrance examinations. On achievement tests given during the school year, samples of homeschoolers score higher at every grade level. Homeschoolers regularly take the top places in debate tournaments, public speaking contests, and spelling bees. It cannot be concluded that homeschooling methods are the cause of such good results because parents and children who homeschool may be special people. Even so, the results are impressive. We would not expect amateurs to cure themselves better than physicians, or for people who serve as their own lawyers to do better in court than professional attorneys.

The education establishment objects to homeschooling, saying that children are not properly socialized in a homeschool environment. However, mean-spiritedness and resulting poor social skills and dependence on peers for self-definition are among the very reasons homeschoolers cite for avoiding regular schools. Marlyn Lewis, Harvard University's admissions director, says of homeschooled children, "They are all high-caliber individuals. They are highly motivated, excel academically, and have no unusual problems adapting to campus life."²⁸

Homeschooling is obviously a bargain for the school district, because every child who is homeschooled saves the school district the amount that otherwise would have been spent on a typical student. School districts can encourage homeschooling by informing parents of the opportunity, opening school facilities (such as libraries, gyms, and specialty classes) to families that homeschool and paying for or providing some services.

Although homeschooling offers a choice and a quality education to a growing number of students, it probably does not

²⁸Ibid., 54.

represent the future of K–12 education for most families in the United States. Most families lack the time, resources, and expertise to homeschool their children, a burden that grows larger as the child progresses to high-school-level instruction. Even if the new learning technologies and decentralized educational services reported earlier allow the homeschooling movement to continue to grow at the rapid rate observed during the 1990s, it would still be many years before even one child in ten is educated at home.

Much like tax credits and private voucher programs, homeschooling demonstrates public dissatisfaction with government schools and a willingness to sacrifice to exercise choice in schooling. Homeschooling is not, however, an effective strategy for privatizing more than a small part of the government school system.

SCHOOL VOUCHERS

Like school charters, vouchers involve the use of tax monies to pay for schools that are not owned or operated by governments. But school vouchers are distinguished from charter schools and other types of contracting because the funds go to parents, not schools, thereby “subsidizing the consumer and permitting him to exercise relatively free choice in the marketplace.”²⁹ According to Savas, vouchers are the most radical form of privatization short of the free market.

School voucher programs put parents in charge of choosing the best schools for their children. Parents receive tax-funded certificates or scholarships good for tuition (up to some set amount) at participating schools, which must then compete for the parents’ loyalty. How much the scholarship should be for, which schools may redeem them, and what kinds of regulations should be imposed on participating schools are choices to be made during a voucher program’s design process (discussed in Chapter 11).

Of the various kinds of privatization discussed here, school vouchers represent the most potent type of reform. In as few as several years under a voucher plan, half or more of all students

²⁹Savas, *Public-Private Relationships*, 81.

now attending government schools would likely shift to private schools, taking with them the dollars that otherwise would have been spent on their behalf by the government-school system. Families of all income levels would benefit. The school voucher, as John Chubb and Terry Moe wrote in *Politics, Markets, and America's Schools*, "is a self-contained reform with its own rationale and justification. It has the capacity *all by itself* to bring about the kind of transformation that, for years, reformers have been seeking to engineer in myriad other ways."³⁰

Publicly funded voucher programs have operated for over a century in the states of Vermont and Maine, allowing more than 12,000 students to attend private schools.³¹ The programs are popular and academically successful. Pilot voucher programs in Milwaukee and Cleveland enroll approximately 17,000 students, once again with favorable academic results and satisfied parents.³² A similar program targeting low-income preschoolers in New Orleans could enroll up to 1,400 students although that program may be postponed due to a legal challenge filed by the liberal American Civil Liberties Union.³³

Florida has enacted legislation that gives students at poorly achieving government schools vouchers to attend school elsewhere. The threat of competition and choice was so effective at improving public schools that every public school in the state avoided a score of F on report cards in the year 2000 because such a score would trigger voucher eligibility. A separate Florida program, the McKay Scholarship Program for Students with Disabilities, offers vouchers worth between \$5,000 and \$17,000

³⁰John Chubb and Terry Moe, *Politics, Markets, and America's Schools* (Washington, DC: The Brookings Institution, 1990), 217, emphasis in original.

³¹Libby Sternberg, "Lessons from Vermont: 132-Year-Old Voucher Program Rebutts Critics," Cato Briefing Paper No. 67, Washington, DC, Cato Institute, November 2001; Frank Heller, "Lessons from Maine: Education Vouchers for Students since 1873," Cato Briefing Paper No. 66, Washington, DC, Cato Institute, November 2001.

³²Paul E. Peterson and Bryan C. Hassel, eds., *Learning from School Choice* (Washington, DC: The Brookings Institution, 1998).

³³George Clowes, "Voucher Ideas Flourish Nationwide," *ALEC Policy Forum* 3, no. 3 (winter 2001/2002): 20.

up to the amount of a school's tuition. Some 4,000 children were expected to use the vouchers in 2002–2003.³⁴

CONCLUSION

Privatization is a global megatrend, moving thousands of enterprises from the public to the private sector every year. Driven by consumer dissatisfaction with the public sector's low quality and high costs, it has compiled an impressive record of cost savings without compromising service quality and often improving it. Opposition to privatization, as Alvin Toffler has written, "is not 'progressive.' Whether recognized or not, it is a defense of the unelected Invisible Party, which holds massive power over people's lives."³⁵

Table 10.1 at the beginning of this chapter illustrates the choices school reformers face when contemplating the privatization option. Modest steps, such as public school choice, contracting out, and charter schools, have already been taken in many communities and deserve to be expanded. A bolder step, school vouchers, is being tried by only a few states and cities, with some 30,000 students now attending schools of choice at taxpayer expense. Chapter 11 describes the voucher option in greater detail, and Chapter 12 presents guidelines to ensure that voucher programs are designed to achieve school reformers' objectives.

RECOMMENDED READING

Eggers, William D., and John O'Leary. *Revolution at the Roots: Making Our Government Smaller, Better, and Closer to Home*. New York: The Free Press, 1995.

Leisey, Donald E., and Charles Lavaroni. *The Educational Entrepreneur: Making a Difference*. San Rafael, Calif.: Edupreneur Press, 2000.

³⁴Ibid., 19.

³⁵Alvin Toffler, *Powershift: Knowledge, Wealth, and Violence at the Edge of the 21st Century* (New York: Bantam Books, 1990), 252.

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