

Conclusion

“Because education involves teaching children about right and wrong, about what is important in life, it must be controlled by individual families, not by politicians or bureaucrats. No monopoly system can adequately reflect the values of all parents in a diverse society. . . .”

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When Milton Friedman and other pioneers of the school voucher movement advocated privatizing primary and secondary schooling in the early 1960s, they were met with skepticism and disbelief. Friedman’s *Capitalism and Freedom*, for example, was not reviewed by a single major national publication in the 18 years after its publication.² Yet the idea lit a fire among parents, educators, civil rights leaders, taxpayer advocates, and even some academics. Even without favorable reviews, *Capitalism and Freedom* has sold over 500,000 copies and has been translated into many languages.

Today, market-based reforms are at the epicenter of the national school-reform movement. Many eyes are on Milwaukee, Cleveland, Maine, Vermont, and Florida, with their voucher

¹David Boaz, *Libertarianism: A Primer* (New York: The Free Press, 1997), 242.

²Milton Friedman and Rose D. Friedman, *Two Lucky People* (Chicago: University of Chicago Press, 1998), 340.

programs that allow some 30,000 children to attend private schools at public expense. Less dramatic forms of privatization and choice, such as charter schools, tax credits, and private scholarships, are spreading fast and serve far larger numbers of children. A decision by the U.S. Supreme Court on the constitutionality of Cleveland's voucher program in June 2002 brought some relief from the constant legal challenges that discourage voucher legislation and delay implementation.

Civil libertarians are calling for educational freedom as a way to respect different religious and cultural values. Minorities and the poor, fed up with four decades of excuses (and counting), increasingly see choice as their ticket out of a school system that puts its own interests above those of the children it supposedly serves. Business leaders support choice as a way to deliver skilled workers able to compete in global markets. A growing number of teachers understand that competition and choice are necessary if they are to achieve the respect and compensation awarded other professionals.

THE CHOICE PARADOX

Support for competition and choice in education is widespread and growing, yet success in implementing school choice through referenda, initiative, or legislation lags far behind. Many school voucher bills are introduced each year, but few have any chance of passage. Existing voucher programs serve only a small fraction of students in the few cities and states where choice is available.

Effective, organized opposition from teachers union leaders and liberal advocacy groups partly explains why more has not been accomplished to advance choice and privatization. Another reason is that the school-choice movement is divided. Some activists and philanthropists have abandoned the voucher movement to support charter schools and tax credits, others champion homeschooling, and still others are drawn into direct battle with teachers unions.

Organized opposition and divided advocates would not stop an idea whose time has come. There is a third reason why market-

based school reforms poll well but fail in the political arena, and that has been the subject of this book. It is the public's fear and misunderstanding of capitalism.

Advocates of competition and choice say we must trust the institutions of capitalism—private property, markets, and the Rule of Law—to educate our children in the post-government schools era. Despite centuries of experience with capitalism and evidence of its benefits in all industries including education, many people are unprepared to face its implications. Opponents of school choice know this, and their antireform campaigns win because they demonize profit-making, privatization, and competition.

There is a clear disconnect between what voters tell pollsters they want from schools and what they are willing to vote for when given the opportunity. Many voters apparently believe school choice is right in theory but vote against referenda and initiatives that would privatize schooling. Similarly, many pro-school choice voters nevertheless vote for candidates who pledge to defend the government-school cartel. Support for school choice seems a mile wide and an inch deep.

Solving this paradox requires nothing less than educating the general public about capitalism, economics, and how a privatized education system would work. It is a daunting task, and in a reform movement split along the lines mentioned above, this is the first task to be skipped by activists and ignored by funders. Luckily, the coauthors of this book are not alone in attempting this feat. Other advocates of school choice and privatization are active in their communities, in state legislatures around the country, and in universities and think tanks such as the Cato Institute, Hoover Institution, Heartland Institute, and Heritage Foundation. Together, they form a choir that may not always sing in tune but is increasingly loud enough to be heard.

This book, then, is a contribution to a bigger and ongoing educational effort. It has documented the need for school reform and explained why capitalism can be trusted to deliver high-quality schools for all children. It has surveyed the historical relationship between schools and capitalism and discussed how economics can contribute to school reform and how a privatized education

marketplace would work. The remainder of this chapter briefly summarizes our main conclusions in each of these four areas.

THE NEED FOR SCHOOL REFORM

The education crisis in the United States is better documented and more widely recognized than ever before. Government schools have failed to achieve any of the goals set for them more than a decade ago and fail even to show progress on most important measures, such as academic achievement and graduation rates. International comparisons of student achievement show that U.S. students rank poorly on science and mathematics and they have achieved the least progress during their K–12 careers despite ranking near the top in per-student spending among advanced countries.

Conventional excuses for this dismal performance are no longer persuasive. Spending has risen dramatically, class sizes have shrunk, and students come to school better prepared to learn than they did a generation ago. Employers and universities are spending billions of dollars a year training and teaching young adults who have graduated from high school unable to read or calculate.

Eight causes of school failure stand out: Complacency and waste due to the lack of competition among schools; ineffective oversight by school boards; conflicts of interest by superintendents, principals, and teachers; political interference from other levels of government; opposition to reform from well-organized interest groups; the absence of national standards to which parents could hold administrators and elected officials accountable to provide clear results; growing centralization of management and spending; and incentives inside classrooms that create an antiacademic atmosphere.

Opinion polls show failing public support for government schools and rising support for market-based reforms that allow parents to choose and schools to compete. New data on student achievement, much of it from pilot voucher programs and private scholarship programs, show that choice works. Early research

shows positive effects on academic achievement that is particularly significant for African-American students. More than 30 studies show that the more school choice a community has, the more effective and cost-efficient are all the schools in that community.

Parents who choose their children's schools report higher levels of satisfaction than those who do not. As Friedman predicted, schools of choice are more efficient: They produce higher achievement and greater customer satisfaction at substantially lower costs than government schools.

CAN CAPITALISM BE TRUSTED?

It is a big step to go from believing government schools have failed to trusting capitalism to produce better results. It requires, as the first step, understanding how capitalism works. Capitalism is the only way an economy can be organized without requiring control by tradition (kings, lords, or tribal rulers) or coercion (as in communism and military dictatorships). Instead, capitalism relies on three institutions to guide action voluntarily, as if by an invisible hand, in ways that tend to benefit everyone. Those three institutions are private property, markets, and the Rule of Law.

Some people are afraid of capitalism because its record has been falsified by propagandists for political causes. Much of the blame can be laid at the feet of the popular media, which do a poor job reporting on economic affairs, and historians who have grossly distorted capitalism's history. Popular culture is filled with novels and feature-length movies starring evil robber barons, greedy capitalists, and heroic politicians. Much of this is simply romantic nonsense; some of it is socialist propaganda.

The myths about capitalism are rarely challenged, even by those who know they are false, because confronting modern liberals on these matters creates ideological baggage that seems, at least in the short term, to be counterproductive to the goal of choice-based school reform. But people will not vote for market-based reforms unless their underlying concerns about the history and morality of capitalism are addressed. They need to be reminded of the robust income mobility in the United States (the

rich *and the poor* are getting richer), of how competition keeps corporations from charging whatever they want for their goods, and of how capitalism has helped make the environment safer and cleaner over time. Millions of immigrants, oppressed by governments in their native countries, came to America to find freedom and prosperity in a society with a capitalist economy. Capitalism helped end slavery and continues to advance the status of African-Americans and other minorities today, even as other institutions in society, including government schools, discriminate against them.

Capitalism is a moral way to organize the production and distribution of goods and services including, or even especially, education. Although greed has always been with us, capitalism neither requires nor promotes it. It checks greed by prohibiting force and fraud and channels ambition into activities that help meet the wants of others. Systems that pretend greed and ambition do not exist are not morally superior to capitalism—and they do not work as well.

The values of capitalism are entirely consistent with the American ethos of individualism, self-sufficiency, and personal liberty. Temperance, orderliness, frugality, industry, honesty, moderation, and humility are all capitalist values. We should not fear having our children attend schools operated by businesspeople who share those values.

Some critics of capitalism try to equate it with anarchy. Even capitalism's strongest defenders, though, agree its institutions work best when government helps ensure social order, produces certain essential goods and services, and enforces the Rule of Law. The accusation is a red herring.

The ruling principle of government is force, whereas capitalism operates according to the principles of freedom and voluntary exchange. Capitalism works best when government's role is limited to defending the nation, protecting property, and facilitating markets. Government should not deliver goods and services monopolistically or in competition with private businesses. Although these ideas may sound radical, they are the views of the American Founders and of most citizens today.

EDUCATION AND CAPITALISM

Capitalism has a long record of delivering schooling and other types of education. When schooling was delivered primarily by the private sector, literacy rates in the United States were as high as, or higher than, they are today despite vast increases in resources, technology, and expertise devoted to schooling. Although 87 percent of all school-age children attend government schools, schooling is bought and sold by millions of willing buyers and producers.

The institutions of capitalism would address or solve each of the causes of school failure if given a chance. Competition and consumer choice create a system that rewards schools that satisfy the demands of consumers. There is no need, in a capitalist system, for large bureaucracies to enforce rules and regulations or for a one-size-fits-all policy that neglects interests not shared by 51 percent or more of voters. In the private sector, no one stands between producers and consumers, so consumers vote each time they buy from one provider rather than another.

Market-based school systems tolerate much less waste than politicians who are spending other people's money or bureaucrats who seek to increase their influence and status by expanding their budgets. Markets decentralize decision-making authority, minimizing both opportunities for corruption and the cost of mistakes. Moving a service from the government to the private sector reduces the rewards of engaging in lobbying or obstructionism to redistribute benefits without producing any value. Finally, markets rely on the informed choices of many consumers, which are less apt to be manipulated than the opinions of a smaller number of elected or appointed officials.

Competition is not alien to the education arena. Colleges compete for students, and U.S. colleges are the best in the world. Where government schools compete with private schools, student achievement and parental satisfaction are higher in both types of schools, evidence that competition is wholesome and not destructive or wasteful. Schools free from government interference do a better job of preparing citizens for democracy than government

schools because the former are less subject to threats of reprisal or interference from government.

USING ECONOMICS

Economics can help us understand why government schools fail and why market-based reforms succeed. Its three main principles are methodological individualism (all social phenomena must be explained in terms of actions that occur at the level of individuals), rational action (most people act rationally to attain whatever it is they value), and the subjectivity of values (the value of all commodities is determined by people's differing individual values, wants, and knowledge).

Economics is not limited to addressing only selfish or utility-maximizing choices because people act rationally to achieve altruistic as well as selfish ends. Economics does not endorse an ethical code based on individualism, materialism, or greed. Assumptions made by economists in the course of their work do not have to be realistic to shed light on a complicated situation. And not all economists are conservatives or libertarians.

Economics explains government-school failure by examining the incentives faced by elected officials, school administrators, teachers, parents, and students. Economists have discovered that public policies and government programs often create unintended and undesirable results due to the reasonable and ethical, but self-serving, conduct of the people involved.

Economic analysis reveals reforms that would improve academic achievement by changing the incentives of teachers and students in the classroom. Interscholastic competitions, providing financial and status awards for high achievement, eliminating no-fail and social-promotion policies, and ending policies that subsidize the political activities of teachers unions are among the reforms we recommend.

Many major industries have moved from the government sector to the private sector in recent years; these include airports, hospitals, ports and harbors, railroads, and water works. Privatization is so effective it typically costs a private firm half as

much as it costs the government to produce a product of similar (often superior) quality.

Among the promising ways to move schooling back to the private enterprise system are charter schools, contracting out for services, tuition tax credits and deductions, and homeschooling. The growing popularity and positive results of these reforms demonstrate that parents want to be free to choose private schools for their children, that competition causes schools to improve, and that children benefit. And yet, none of these reforms effectively addresses the underlying principle that preserves the current system: the public-school monopoly over taxes collected for schooling.

DOING IT RIGHT

School vouchers—which give the tax dollars that now go to government schools to parents instead and allow them to choose the schools their children attend—are the most promising form of privatization now being debated in communities and state capitols across the country. School vouchers would create a competitive education industry by breaking the government-school monopoly on tax funding of education, breaking the grip of teachers unions and other special interest groups who benefit from the current unjust system and setting in motion countervailing forces that would resist regulation and favor further privatization.

Under a voucher plan, government would continue to finance schooling, at least for children from poor families, but private businesses and not-for-profit organizations would compete for public and private funds in a competitive education industry. Vouchers would allow parents to choose, without financial penalties, the schools their children attend. No other reform addresses so many of the causes of government-school failure. Giving parents the right to choose which schools their children attend encourages parental involvement in education, a proven way to improve student achievement. It also inspires competition among schools, creating rewards for parental satisfaction, responsible

innovation, effectiveness, and efficiency. Competition penalizes failure.

Voucher programs do not increase the likelihood or severity of regulation of private schools. States are free to regulate private schools already, and many do so with heavy hands. Voucher legislation can stress the public interest in private school autonomy and give private schools stronger legal standing to oppose new regulations. Voucher programs also can prevent centralization in a state agency of school certification, testing authority, and information distribution, thereby avoiding the bureaucratic tendency to expand regulation over time.

Opponents of school-choice can be expected to litigate all school-choice programs, no matter how modest, but the U.S. Supreme Court's definitive ruling on the constitutionality of school vouchers in 2002 is proof that carefully written voucher programs are legal. Blaine amendments in many state constitutions cannot stand when they contradict the First Amendment.

Pilot voucher programs for the urban poor can lead the way to statewide universal voucher programs. Some government schools will successfully compete against private schools, but many will be converted into private schools or simply close their doors. Eventually, middle- or upper-income families may no longer expect or need tax-financed assistance to pay for the education of their children, leading to a largely unsubsidized competitive education industry, such as those we already have for food, housing, and transportation. Vouchers can remain to help the truly needy.

School voucher plans will vary widely in their details. Effective plans, however, will follow best those practices emerging from economic and political theory and research and already contained in model legislation and pilot programs. Programs may be phased in over several years, allow or disallow schools to charge parents more than the value of the voucher, and include only state funds or all tax revenues now raised for schooling. Parents can be allowed to deposit the difference between the value of the voucher and actual tuition paid into tax-free Education Savings Accounts, to be used for future educational expenses.

The debate over national standards has created a deep rift between business groups and many people with deeply held religious views. However, it can be resolved by requiring voucher schools to administer their choice of preapproved student examinations and make results publicly available without making participation in the voucher program contingent on the outcomes of such tests.

Restoring the proper relationship between capitalism and education would rescue millions of school children from unsafe and dysfunctional schools. It would help ameliorate some of our most pressing social problems, including crime, poverty, and racism. By increasing the skills and knowledge of a large part of the population who are now poorly served by government schools, school choice and competition would bring the blessings of freedom and prosperity to many more families than currently enjoy them.