

How do We Improve the Performance of America's Schools?
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This week, a judge in Cleveland, raising constitutional questions, imposed a stay on a school voucher program aimed at students from poor households. The city of Milwaukee has, for the last few years, been conducting a highly successful voucher program. Private initiatives have been established in New York, and elsewhere, to provide vouchers to children attending nonpublic schools. The Clinton Administration has advocated the increasing use of charter schools. These initiatives and others will arise from a perceived failure of the primary and secondary schooling system in the United States.

In many respects, the perceptions of failure are real and justified. America showed the world that it was possible and desirable to educate the great mass of its citizens. At the turn of the century, barely 5 percent of the population graduated from high school. By 1940, 50 percent graduated from high school. Graduation rates grow dramatically until the mid-1970s and have roughly stabilized at around 80 percent. But, since the mid 1960s or so, the performance of America's schools has been disappointing along many dimensions.

In the early 1960s, we spend less than \$1700 on average across the nation per pupil in our schools. Now we spend over \$7000 on average per pupil. (These dollar figures are adjusted for inflation). What has this increased spending brought us? By some measures, precious little. Reading, Math and Science scores since the early 1970s are typically flat or slightly lower, even after adjusting for changes in the composition of students taking tests. Average SAT scores began falling in the mid 1960s. The performance of high school students in America is disheartening when compared with the rest of the world. One study found that only 5 percent of American students did better than the *average* Japanese student in mathematics proficiency (see the symposium on education in the Fall 1996 issue of *Journal of Economic Perspectives* for these and other fascinating tidbits).

The contrast with the performance of colleges and universities in the United States is particularly marked. Over the last 30 years, the gap between the quality of research and education provided at American universities over universities elsewhere has widened. To an astonishing extent, students from across the world want to attend American universities. Very few want to attend the typical American high school.

There are many factors behind the decline of the typical American public school, of course, but in my view one factor stands out. Over the last 30 years or so, we have steadily moved towards a greater centralization of school finance. In the early 1960s, over 80 per cent of schooling expenditures were financed by local taxes. Now less than 45 percent of these expenditures are financed by local taxes. Most of the rest is provided by state governments with the Federal government's share being less than 7 percent today. Why has this shift hurt? In essence, because parents who vote with their feet to move to districts which provide higher quality education do not reap as large a benefit from moving. School districts which provide low quality education have a smaller incentive to raise the quality of their education. Pressures on state governments to remedy the problem by throwing more money at it grow relentlessly.

Other countries have much more centralized systems than we do. Why are they not doing worse?

The simple answer is that either extreme is more likely to do well than the middle. If state governments hired and fired teachers and set curricula, outcomes are likely to be superior along some dimensions but worse at innovation and the adoption of new pedagogical techniques than what we have now. If parents had complete choice (supplemented by vouchers and other forms of government aid), performance will likely be better on all dimensions simply because of the benefits of competition. Markets will work their wonders if people have unfettered choice. My guess is that with a well-designed voucher scheme, American schools will again become the wonder of the world. How long will we continue to deny our children their rightful opportunities?