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The *Heartland*
INSTITUTE

Ten Principles *of* School Choice

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Series Preface

The purpose of this series of small books, called *Legislative Principles*, is two-fold: To compile and express concisely legislative principles based upon research evidence too voluminous for most legislators, policy analysts, and interested citizens to read; and to complement the news reporting in Heartland's four monthly public policy newspapers, *School Reform News*, *Budget & Tax News*, *Health Care News*, and *Environment & Climate News*.

Each booklet in this series presents a set of principles central to the debates about a major public policy issue. Each principle, in turn, is carefully documented to enable readers to find the original sources, many of which are on The Heartland Institute's Web site (www.heartland.org). An electronic version of this booklet, also posted on Heartland's Web site, has links to the URLs of many of the sources cited below.

Heartland's public policy newspapers, by design, focus on news and contain factual accounts about current events, policies, and legislation. The small books in the *Legislative Principles* series, on the other hand, set forth enduring principles that are likely to remain valid and relevant in the next decade. They can help busy legislators rapidly prepare themselves to propose and discuss new legislation in areas they may not ordinarily follow closely.

We hope the series forms a mini-library for elected officials, their staff, and all concerned citizens. Kept on a desk or in a drawer, they can form a ready reference on major legislative issues and policies. We also hope you will distribute copies to friends and colleagues who share your interest. You can download and freely republish it, or order copies similar to this one by following the instructions on page 28.

Joseph Bast largely drafted this work and, in addition to the extensive works cited in the references, it is based on our coauthored book titled *Education and Capitalism* (Stanford, California: Hoover Institution Press, 2003), available from the publisher and The Heartland Institute. We thank John Chubb, George Clowes, Robert Enlow, Milton Friedman, Cathy Lund, and David Salisbury, who provided encouragement and substantive suggestions on drafts of this work, and Diane Bast and Steve Graubart, who made editorial suggestions. Any errors are our own.

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About The Heartland Institute

The Heartland Institute is a genuinely independent source of research and commentary founded in Chicago, Illinois in 1984. Heartland's mission is to help build social movements in support of ideas that empower people. Such ideas include parental choice in education, choice and personal responsibility in health care, and market-based approaches to environmental protection. Its activities are tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

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Why Do We Need School Reform?

Too many public schools in the U.S. are failing to prepare students academically for productive lives, even though spending has risen to record levels.

In 1983, the National Commission on Excellence in Education warned, “the educational foundations of our society are presently being eroded by a rising tide of mediocrity that threatens our very future as a Nation and a people.” Some 20 years later, the tide has yet to turn.

Public schools are underperforming.

The failure of public schools to graduate students who are academically prepared to become productive members of society is well documented:

- Fewer than 1 in 3 (30 percent) eighth-graders scored at proficient or above in the 2003 Urban National Assessment of Educational Progress (NAEP) reading test. In Chicago, the figure was only 15 percent, and in Cleveland and the District of Columbia, the figure was only 10 percent (Clowes 2004a).
- The U.S. high school graduation rate for 1998 was only 74 percent, indicating that 1 in 4 students drops out before graduating. Latino and black graduation rates are only 56 percent and 54 percent respectively (Greene and Winters 2002).
- Relatively few American students achieve at levels as high as those of students in other economically advanced nations, and U.S. students make smaller achievement gains during their K-12 school careers than students from other economically advanced countries (Walberg 2001).

The problem is not a lack of spending: During the past 20 years, expenditures per pupil have increased by 22.9 percent in constant dollars (Clowes 2001, Lieberman and Haar 2003). Research by dozens of scholars has found no consistent relationship between higher spending and improvement in academic achievement (Hanushek 1998).

Black and Latino students suffer the most.

Since the early 1970s, scores for black and Latino students have trailed those for white students. The reading skills of the average 17-year-old black student are now about the same as those of a 13-year-old white. Among black eighth-graders, only 7 percent scored at proficient or above in the 2003 Urban NAEP math test. In Chicago, the figure was only 4 percent, and in Cleveland and the District of Columbia, the figures were 5 percent and 3 percent respectively (Clowes 2004b).

The nation has directed much attention and vast resources to the special needs of minority and low-income students. Since 1965, the federal government has spent more than \$120 billion on Title I remedial education programs for students in poverty, with little or no long-term improvements in reading, mathematics, and science among low-income students (Walberg 1997).

Not all schools perform so poorly.

Some schools are successfully preparing students for college or productive careers. Some are public schools, typically charter or magnet schools in urban areas or high-spending schools in wealthy suburbs. Others are private schools. What they tend to have in common is that they were chosen by parents and must compete with other schools for students and tuition.

For example, students who attend religious and secular private schools in the U.S. score higher on the NAEP (Clowes 2000), graduate at higher rates, and are twice as likely to attend and graduate from college than their public school peers, even though private schools typically spend less than half as much per student as public schools (Alt and Peter 2003). Parents, teachers, and students all report higher levels of satisfaction with private schools than with public schools. Obviously, school reformers serious about finding “what works” can learn some valuable lessons by studying private schools.

Unfortunately, middle- and lower-income parents cannot afford to pay tuition at private schools, and many charter and magnet schools have long waiting lists. Reforms that allow parents to choose the schools their children attend—public or private, secular or religious—and then allow public funds to follow the child to the chosen school, promise to deliver a good education to all children regardless of where they live or the wealth of their parents.

Suggested readings: Alt and Peter 2003, <http://nces.ed.gov/pubs2002/2002013.pdf>; National Commission on Excellence in Education 1983, <http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2003060>.

1. Allow parents to choose

Parents and other legal guardians should be allowed to choose the schools their children attend. They should not be penalized financially for choosing a private secular or religious school.

Parental choice in education today is officially discouraged. Parents who choose private schools for their children forfeit the public funds collected to educate their children, including tax dollars they themselves pay. Parents who send their children to public schools are given either no choice or a choice among only a few similar schools governed by the same school district authorities.

Not surprisingly, this public school monopoly on public funds has crippled a once-vibrant private school marketplace (Spring 1986, Everhart 1982). Whereas private schools educated nearly all American school children prior to the 1840s, today approximately 87 percent of students attend public schools.

Parents have the legal right to choose.

Parents in the U.S. can properly assert the right, recognized by long tradition and law, to direct the education of their children (Skillen 1993, Blum 1958). Some legal experts place the right of parents to control the schooling of their children at the foundation of all other civil liberties (Arons 1997, McCarthy et al. 1981, McGarry and Ward 1966).

The U.S. Supreme Court ruled in *Pierce v. Society of Sisters* (1925) that “the fundamental theory of liberty upon which all governments in this Union repose excludes any general power of the state to standardize its children by forcing them to accept instruction from public teachers only. The child is not the mere creature of the state; those who nurture him and direct his destiny have the right, coupled with the high duty, to recognize and prepare him for additional obligations.”

In *Zelman v. Simmons-Harris* (2002), the U.S. Supreme Court upheld Cleveland’s school voucher program, with the majority writing, “in keeping with an unbroken line of decisions rejecting challenges to similar programs, we hold that the program does not offend the Establishment Clause.”

Parents can be trusted to choose wisely.

The current system of school finance is based on the notion

that “local government agents make better school assignments for individual children they have never met than would the family, even were the family to be supported by professional counseling” (Coons and Sugarman 1978 rev. 1999, p. 47). But this is patently untrue. Parents are more likely to know their children’s individual needs and concerns, and they have much stronger incentives to choose the right schools for their children than bureaucrats. Parents usually care deeply about their children and may anticipate having to rely on them in their old age (Bast and Walberg 2004).

Surveys reveal parents typically rank schools the same way experts do, indicating they have sufficient information to make informed choices (Solmon 2003, Hoxby 2001). Surveys also show most parents who choose independent schools do so on the basis of academic quality rather than athletics, convenience, or other considerations less indicative of a school’s quality (Solmon 2003, Witte 2000, Moe 1995).

Parental choice in education works.

Allowing parents to choose the schools their children attend empowers them vis-a-vis the school’s staff, making it possible for them to play a more decisive role in their children’s education (Coulson 1999). This encourages parents to participate in their children’s schooling, which in turn is positively related to student learning (Vassallo 2000, Raywid 1989, Walberg 1984). Higher levels of parental involvement are a major reason private schools tend to outperform public schools (Coleman and Hoffer 1987).

Real-world experience proves that school choice works. Literacy in the U.S. prior to the middle of the nineteenth century, when most students in America attended private schools affiliated with churches, was as high as in any other country in the world, and indeed higher than it is today (West 1965 (3rd rev. ed, 1994)).

Today, students attending public schools facing competition from charters and private schools tend to perform better than those that do not (Hoxby 2002, Belfield and Levin 2001). The benefits are not limited to the children of wealthier or better-informed parents: Parents who take advantage of choice programs tend to have lower incomes and their children tend to have larger achievement deficits than those who do not participate (West 1997), and Milwaukee’s voucher program has prompted the public school system to adopt many positive reforms (Gardner 2002).

Suggested readings: Philip Vassallo 2000, <http://www.heartland.org/pdf/12066.pdf>; Coons and Sugarman 1978 rev. 1999, <http://www.heartland.org/pdf/15845.pdf>; Raywid 1989, <http://www.heartland.orgpdf/15846.pdf>.

2. Funding should follow the child

Tax dollars raised for education should go to schools chosen by parents, not to bureaucrats far from the classroom.

Americans have decided, as a society, to use taxes to finance some or all of the schooling of children regardless of their parents' ability to pay tuition at private schools. This creates a potential conflict with the right of parents to control the education of their children. With certain precautions, that conflict can be addressed by allowing tax dollars to follow the child to whatever school his or her parents choose.

Current funding practices empower bureaucracies.

About half of the taxes collected for education flow from taxpayers to federal or state departments of education, and from there to local school districts and finally to public schools and teachers. Local property taxes typically go to local school districts or to state agencies for redistribution to "property poor" school districts. Because of bureaucracy, two of every five tax dollars raised for schools do not even make it to the classroom (Bonsteel and Brodt 2000). This system concentrates authority in the hands of small groups of largely unelected officials, often far removed from the classroom. Over time, this system has become heavily bureaucratic, wasteful, and resistant to change (Tyack 1974).

Funding follows a different set of rules in the private school sector. There, parents pay tuition directly to the educators they choose for their children, so funds automatically follow the child. The freedom to choose motivates parents to study their choices closely and let educators know what kinds of schools they want. Competition for tuition leads educators to modify and improve their offerings, and unnecessary and expensive bureaucracies are not tolerated.

Funding should follow the student.

The way public schools are funded can be made to more closely resemble private school funding by requiring that tax dollars follow the student to the school chosen by his or her parents or guardians. Two ways to do this are choice scholarships (or "vouchers") and tuition tax credits.

Under a voucher plan, parents are allowed to choose the schools they consider best for their children and receive tax-funded

vouchers or certificates good for tuition (up to some set amount) at participating schools (Walberg and Bast 2003, Hakim et al. 1994, Friedman and Friedman 1980). Schools then compete for students. The worth of the voucher, which schools may participate in the program, and what kinds of regulations should be imposed on participating schools are choices to be made during the school choice program's design process. (See the principles below for specific legislative suggestions.)

The second way is to provide tax relief to parents who pay tuition to private schools or to individuals and corporations who make donations to pay for private school tuition (Olsen and Brouillette 2000, Anderson et al. 1997). Illinois, Iowa, and Minnesota have laws that allow taxpayers to get back from their state governments some part of the amount they spend on private school tuition. Arizona, Florida, and Pennsylvania offer tax credits to corporations and individuals who finance scholarships for children from low-income families.

Voucher programs are already widespread.

Giving public funds to consumers in the form of vouchers is not a radical idea. Existing voucher programs include food stamps, low-income housing vouchers, the GI Bill and Pell Grants for college students, federal day-care grants, and Social Security (Savas 2000). Social Security, for example, distributes about \$400 billion annually to millions of seniors to spend as they wish. The seniors spend their retirement tax dollars on the goods and services of their choice, including donating some to charities, churches, temples, and mosques. Yet there are no complaints that Social Security leads to excessive regulation of stores frequented by seniors or threatens to violate the separation of church and state.

There can be little doubt that the schools parents would choose under a school choice program would be different from those currently funded with tax dollars. The 2004 Phi Delta Kappa International/Gallup Poll found 57 percent of parents with children now attending public schools would send them to private schools if vouchers were available (Clowes 2004c). A survey by Public Agenda (1999) found 55 percent of all parents and 67 percent of inner-city parents of public school students would choose private schools if tuition was not a concern. The Harwood Group (1995) found about 80 percent of African-American families would choose private schools.

Suggested readings: Walberg and Bast 2003, <http://www.hoover.stanford.edu/publications/books/fulltext/edcap/253.pdf>; Hakim et al. 1994; Friedman and Friedman 1980.

3. Schools should compete

To finance their operations, schools should have to rely on tuition, including tax-funded tuition, paid by parents who choose their children's schools.

Schools should receive taxpayer dollars only if parents willingly choose to send their children to them. Schools that consistently fail to persuade enough parents to trust them with their children should not be rewarded with funding, as is now often the case with public schools. Instead, such schools should be closed so their few remaining students can attend better schools and their staffs and other resources can be put to better use elsewhere.

Competition brings out the best in people.

Competition brings out the best in people and organizations, not because it appeals to greed or selfishness, but because the desire to innovate, earn the esteem of others, and be best in one's field is deeply and widely instilled (Olson 2000, Novak 1996). Competitors provide benchmarks against which to measure individual efforts and also invaluable lessons in what to do and what not to do. Rewards for high achievement are common in all fields, from athletics to music, business, restaurants, medicine, and science.

Requiring that schools compete should not be controversial. Competition is relied upon to provide food, clothing, shelter, transportation, medicine, and countless other essential goods and services. Competition among providers of pre-school and after-school services and higher education is allowed and encouraged. Yet constructive competition among primary and secondary schools is suppressed by assigning students to public schools and withholding public funds from private schools (Lieberman 1989).

Schools improve when they are required to compete.

A survey of more than 35 studies of the effect of competition on public schools found "a sizable majority of these studies report beneficial effects of competition across all outcomes" (Belfield and Levin 2001, p. 1). Caroline Hoxby (2002) reports student achievement in public schools improves as public inter-district choice increases and as the share of students who attend private schools in the metropolitan area rises. In other research, Hoxby (2001) also found schools in metropolitan areas with maximum choice among districts are 35 percent more likely than schools in

areas with minimum choice to have curricula that reach high standards in English, math, science, social studies, and foreign language.

A lack of competition breeds mediocrity and waste.

When protected from competition, even talented and well-intentioned public officials are motivated to act in ways intended to increase their income, authority, prestige, or leisure (Borcherding 1977). The usual bureaucratic approach is to minimize choices for people for whom services are to be provided and to routinize procedures as much as possible, usually in the name of fairness and efficiency but often simply to reduce the bureaucrats' workload. The result in public education has been large and impersonal schools, assignment of students to schools based on where their parents live rather than the special needs of students, and school codes and collective bargaining agreements that stifle creativity and mandate mediocrity (Gatto 2001, Ravich 2000).

The absence of competition and choice in public schooling has allowed school administrators to be dominated by teacher unions representing the employees they are supposed to be managing (Lieberman 2000; Haar, Lieberman, and Troy 1994). Union leaders influence political decisions affecting school budgets and restrict access to information needed to implement regulations. The interests of union leaders are often different from and therefore compete with those of the students.

School choice is a systemic reform with great promise.

Requiring that schools compete is a systemic means of changing the incentives, and consequently the behavior, of all the stakeholders in K-12 education: parents, teachers, administrators, students, and even taxpayers and employers. It sends resources to people and institutions doing the right things, and takes it from those who are doing the wrong things. School choice is, as John Chubb and Terry Moe (1990) wrote, "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" (p. 217).

Suggested readings: Hoxby 2002, <http://www-hoover.stanford.edu/publications/books/fulltext/choice>; Hoxby 2001, <http://www-hoover.stanford.edu/publications/books/fulltext/primer/11.pdf>; Chubb and Moe 1990.

4. Empower school leaders

Principals and other school leaders should be free to create missions and programs they believe will be most attractive to students and parents.

Many public schools fail because they are over-regulated. Regulations grew over time because school leaders face conflicts of interest that lead them, in the absence of competition, to act against the interests of students. Allowing parents to choose and requiring schools to compete would restore a proper incentive system, making deregulation possible. Principals and other school leaders would then be free to create missions and programs they believe will be most attractive to students and parents.

Relying on politics requires regulation.

Regulations are the price we pay for choosing to rely on political systems instead of markets to detect and prevent inefficient or corrupt behavior (Wilson 1989, Olson 2000). Each layer of government or bureaucracy attempts to restrict the range of discretionary decision-making by the layer below it by imposing rules, requiring reports, and naming oversight committees. The more complex the service, the more costly, complicated, and detailed the rules become and the less responsive its delivery is to the needs and desires of its beneficiaries.

Federal and state officials, for example, direct the annual spending of many billions of dollars for “categorical” or “compensatory” programs. In theory, these funds go to special classes and services for children categorized as poor, migrant, bilingual, racially segregated, or psychologically impeded—groups superintendents might otherwise be tempted to neglect because they represent few voters or are unlikely to complain about poor service. In practice, the programs have created huge bureaucracies that are counterproductive for learning and for protecting children’s best interests (Fossedal 1996).

When parents turn to their elected representatives in federal and state government for help, the situation simply grows worse. Those officials have imposed a maze of mandates, categorical aid programs, political and regulatory oversight agencies, and conflicting and unnecessary restraints on school-site personnel, until “virtually everything of consequence is either forbidden or compulsory” (Jencks 1972, see also Gatto 1993).

Conflicts of interest flourish in today's public schools.

Public schools are regulated especially heavily because their employees operate in an institutional setting rife with conflicts of interest. For example, superintendents set standards, make policy, and propose budgets, while at the same time they are responsible for delivering the service: hiring and managing the teachers, choosing and maintaining the facilities, and so on. They face powerful incentives to set low academic standards in order to make them easier to reach, to raise the budget in order to avoid difficult negotiations with teacher unions, and to defer maintenance of facilities, since this will be little noticed during their tenure (Chubb and Moe 1990, Sizer 1984).

The plight of district superintendents is made worse by the bargaining unit of the teacher union. One of the few things threatening a superintendent's job security is a dissatisfied teacher union leader. A dissatisfied union steward can leak information to the school board that contradicts the superintendent's reports, leading to embarrassment and conflict with the board. A teachers' strike can lead to a superintendent's termination. Faced with the need to discipline an incompetent or even dangerous teacher, the superintendent is torn between doing the right thing and appeasing union representatives (Brimelow 2003, *Economist* 2002).

School choice empowers school leaders.

School choice frees school leaders from the burden of excessive regulation by replacing politics with markets. Accountability would come "from the bottom up"—from parents making informed choices for their children—rather than "from the top down" by bureaucrats and other officials imposing detailed rules and procedures.

School choice ends the superintendents' conflict of interest by separating responsibility for "providing" schooling from responsibility for "producing" it. "The distinction between providing or arranging a service and producing it is profound. ... [I]t puts the role of government in perspective" (Savas 2000, p. 65). State and local school boards and superintendents would be responsible only for providing funds to schools chosen by parents that met certain standards of financial and academic accountability, civil rights, and safety. Responsibility for actually *producing* schooling would rest in the hands of the leaders of individual schools competing for students and public funds (Lieberman 1989, pp. 25-56).

Suggested readings: Brimelow 2003; Gatto 1993; Sizer 1984.

5. Empower teachers

School choice would free teachers from their current dependency on teacher unions, allowing them to act as true professionals.

Teachers today are unfree.

Compared to professionals in other fields, public school teachers are surprisingly unfree. In order to teach in most states they must take courses at teachers colleges that are often condemned as being useless or even counterproductive in the classroom (Kramer 1991, Clifford and Guthrie 1988). They must join teacher unions and have hefty dues withheld from their paychecks, largely for use in political campaigns without their consent (Lieberman 2003). Merit pay is off-limits in nearly all public school systems (Ballou and Podgursky 1997).

Public school teachers lost the rights that other professionals take for granted because the market forces that protect and reward professionals do not operate inside the public school system. The logic of bureaucracy rewards centralization of authority, resulting in school districts and high schools that are too large for a single curriculum to be best for most students. With multiple and constantly changing curricula, however, there can be no certainty as to what students should have mastered in earlier grades, making it almost impossible for school boards, superintendents, and principals to accurately assess the performance of individual teachers (Sykes 1995, Evers and Walberg 2002).

Teacher unions protect teachers, but at a high price.

With objective measures of professional competence missing, teachers rightly fear favoritism and other kinds of managerial abuse. Powerful teacher unions offer protection in the form of insurance and detailed collective bargaining agreements that severely limit the principals' managerial prerogatives. In some respects this strategy works: Teachers are almost never terminated for incompetency, and even the most troubled schools are seldom shut down. But this state of affairs has badly damaged the teaching profession and children.

Teaching has become a widely disrespected profession. "[N]ew students are drawn disproportionately from the bottom third of American college students," as measured by their score on high school achievement tests (Hoxby 2003, p. 93). Average real teacher pay has risen by 12 percent since 1982, but pay rose faster

for college graduates as a group and in comparable professions; for example, 17 percent for nursing (Finn 2003).

School choice offers a better route for teachers.

There is a better path for teachers to follow. School choice would allow public school teachers to recover their lost freedoms while boosting the productivity of K-12 schools.

If parents were allowed to choose schools for their children and if public funds followed the child, the tactics used by superintendents, school boards, and teacher unions to avoid accountability would no longer be necessary or possible. Superintendents would have no incentive to mislead parents or voters. Accurate consumer reports containing school-level information about student achievement and professional competence would become widely available, similar to those now available on automobiles, hospitals, and other goods and services.

School choice would allow a variety of curricula to be applied consistently based on the needs of students and preferences of parents. This would make possible more accurate evaluation of each teacher's contribution to a student's learning. Schools that retain incompetent or dangerous employees would quickly lose students to those with merit-based employment policies.

Teachers would earn more and some would start their own schools.

Successful schools would pay more for teachers with proven ability since by doing so they could attract more students and consequently have greater resources, from privately or publicly financed tuition, from which to pay teachers. Excessive bureaucracy would not be tolerated, and more of the tax dollars raised for education would reach teachers and classrooms. Principals would no longer be prevented from offering higher pay to exceptional teachers or those teaching difficult-to-master topics such as calculus and physics.

Under a system of school choice, teachers would be free to start their own schools free of bureaucracy and regulations (Zuelke 1996). A wide range of opportunities would emerge as old assumptions and dogmas, kept alive for more than a century behind the walls of monopoly and bureaucracy, are finally subjected to competition and fall before new and better ideas.

Suggested readings: Evers and Walberg 2003, <http://www-hoover.stanford.edu/publications/books/accountability.html>; Lieberman 2003, <http://www.heartland.org/pdf/12498.pdf>; Leisey and Lavaroni 2000.

6. Give parents adequate funding with incentives

Needy parents should receive sufficient public funding to allow them to choose high-quality schools, as well as incentives to choose more efficient and lower-priced schools.

Tuition vouchers or tax credits should be sufficient to enable parents to choose high-quality schools, including secular schools that are not subsidized by churches, temples, or mosques.

Vouchers can be set at a variety of levels.

Ideally, the amount of tax dollars following students to the schools chosen by their parents should be the same no matter what kind of school it is: public, private, charter, secular, or religious. The current weighted per-pupil funding formulas used by many public school systems could be the basis for setting the voucher or tax credit level.

If parents of children already attending private schools become eligible for tax dollars or refundable tax credits, spending on public schools would have to be reduced or overall public spending would have to increase, perhaps requiring tax increases. To avoid these politically unpopular alternatives, voucher and tax credit advocates have proposed limiting eligibility to students currently attending public schools or setting the voucher or credit amount below current public school per-pupil spending (Wittmann and Hetland 1991, Bast 2002).

Various levels of support have been proposed, ranging from tax deductions of \$250 or less to vouchers worth \$10,000 to \$12,000 per year for children from the poorest 20 percent of families (Reich 2000). Milton Friedman, one of the earliest and still most prominent proponents of vouchers, originally called for them to be set at levels equal to the current per-pupil spending levels of public schools (Friedman 1962). More recently, Friedman recommended to us a lower voucher value reflecting the ability of the private sector to produce goods and services at approximately half the total operating and capital cost of the public sector.

Parents should be allowed to add their own dollars to the voucher.

The lower the dollar value of school vouchers and tax credits, the greater is the need to allow parents to pay part of the tuition

directly. Such “tuition add-ons” may also have the advantage of coaxing parents to become more closely involved in their children’s education (Coulson 1999). However, opponents of vouchers, and some voucher proponents as well, oppose tuition add-ons fearing they would worsen socioeconomic stratification and racial segregation in education (Witte 2000, Coons and Sugarman 1978, rev. 1999). Such fears, however, are misplaced.

Most private schools in most parts of the country are not characterized by ethnic or social segregation; many already educate large numbers of low-income and minority students (Alt and Peter 2003). In fact, by some measures, public schools in major cities are more segregated than private schools (Peterson et al. 2001). Current pilot voucher programs show that even low-value vouchers make effective and integrated schools available to low-income and minority students (Rouse 2000, Moe 1995).

Reward parents who choose less-expensive schools.

If voucher or tax credit levels were set at current public school spending levels, schools that currently spend less could raise their spending and tuition to the amount of the voucher or tax credit. Parents, insulated from the true cost of the schooling their children receive, would not be price-conscious shoppers, and schools would not be encouraged to become more efficient.

To avoid this problem, voucher proposals can establish Education Savings Accounts (ESAs), savings accounts established in the name of each qualified student into which parents can deposit the difference between the voucher value and the actual tuition charged (Bast 2002). If a voucher were worth \$7,000, for example, and a parent chose a school charging \$6,000 for tuition, the \$1,000 difference would be deposited in the student’s ESA. Withdrawals from the ESA would be permitted only to pay for tuition, tutoring, and other educational expenses for the student. When a student reaches a certain age (19, 21, or 23 are often suggested), anything left in the account would revert to taxpayers.

ESAs could face legal challenges in some states and therefore should be thoroughly vetted by legal experts before being included in a voucher plan. Where allowed, ESAs could make vouchers more popular among suburban parents who think their public schools deliver good results but impose too great a tax burden. Millions of adults already use similar Individual Retirement Accounts (IRAs) to save for their retirement.

Suggested readings: Bast 2002, <http://www.heartland.org/pdf/ACF10.pdf>; Merrifield 2001; Wittmann and Hetland 1991, <http://www.heartland.org/pdf/21847y.pdf>.

7. Allow schools to succeed or to fail

Entrepreneurs and teachers should be free to start or manage schools, and schools that fail to attract students should be allowed to close.

One reason many public schools achieve poor academic results is because they are neither free to succeed nor free to fail. Schools that succeed against the odds are often penalized by losing supplemental grants or their best personnel to schools that “need help.” Schools that fail to achieve satisfactory results often receive *more* funding as elected officials and the school bureaucracy attempt to fix the problem (Sykes 1995).

School choice automatically rewards success and penalizes failure.

The inability to recognize and reward success and penalize failure is not a shortcoming that can be addressed purely by passing “accountability” legislation, holding annual awards ceremonies, or even mandating frequent achievement tests with “real consequences” for students and school personnel. The problem, as described above (see Principle 3—“Schools should compete”), is inherent in public schools so long as they are government agencies accountable to distant officials rather than directly to the parents of their students (Chubb and Moe 1990).

The solution is to allow parents to choose schools and require schools to compete for students. When the money follows the student, schools that fail to satisfy parents will lose income and either shrink or close. Schools that parents find attractive will grow in enrollment and justify a premium price from parents, allowing them to use the additional funds to improve further and enabling their staffs to benefit financially from the schools’ success. There is no need for thick manuals filled with regulations or layers of bureaucracy to “manage change.”

Many teachers and school leaders are eager to become entrepreneurs.

School choice works only if school leaders and teachers are empowered to organize and operate their schools as they see fit, subject to the discipline of market competition and parental choice. This must include real rewards for success and true penalties for failure, which in turn require the freedom to create new schools and expand successful ones as well as a genuine risk of closure in

the event of failure (Merrifield 2001).

The private sector is up to the task of injecting new ideas and resources into K-12 schooling. Teachers across the country are forming “private practices” and offering their services to schools or directly to parents the way lawyers, doctors, and other professionals do (Zuelke 1996, Leisey and Lavaroni 2000). The Education Industry Association, a trade association with more than 800 corporate and individual members, represents private providers of education services from across the country who already supply services to and often compete directly with public schools (Seibert 2004). Groups such as PAVE (Partners Advancing Values in Education), a nonprofit organization in Milwaukee, are helping voucher and charter schools “write business plans, understand the financing of multi-million-dollar projects, and place schools in the context of being a neighborhood resource” (Sweet 2003).

Close failing public schools and reopen them as voucher schools.

Under a voucher plan, public school authorities would be forced to close failing schools and restructure the management of remaining schools to meet the new competition. The number of children who need to be educated would remain the same, so educators and administrators will be as much in demand after the voucher plan takes effect as before. Good teachers and skillful administrators may face the inconvenience of taking new positions at different schools, but otherwise they should not fear the effects of a voucher plan. Unlike the present system, better performers would be rewarded with higher compensation.

John E. Coons’ original voucher proposal provided guaranteed loans and similar assistance to community groups that founded voucher schools (Coons 1971). A revolving loan fund for such a purpose could be established with the funds earned from the sale or lease of public school space. Richard Vedder has proposed profit sharing and an employee stock ownership plan (ESOP) that would enable public school teachers to own their schools and subjecting them to the rewards and risks that would entail (Vedder 2000).

Suggested readings: Sweet 2003, <http://www.heartland.org/pdf/14012.pdf>; Merrifield 2001; Vedder 2000.

8. Preserve the autonomy of private schools

The autonomy of private schools should be recognized as being in the public interest. New regulations should not be imposed on private schools, and public as well as private schools should be deregulated.

Competition, not inspection by government agencies or compliance with myriad rules and regulations, is the surest guarantor of quality in education (Hess 1999, p. 185). Legislators must ensure that a voucher or tax credit program does not lead to the imposition of new regulations on private schools.

Private schools currently are exempt from many of the rules imposed on public schools.

At present, private schools enjoy greater autonomy than do public schools, despite the efforts of many government and teacher union officials. Vouchers *per se* would not open to government regulators doors not already open to them. Religiously affiliated schools are protected by the First Amendment against federal or state regulations that would interfere with the freedom of religion. Unfortunately, state constitutions typically allow for heavy regulation of private secular schools regardless of whether those schools receive any government funding.

Private schools should retain their authority over curriculum; textbook selection; admissions, retention, and disciplinary policies; and personnel policies, including employment contracts. Private schools should continue to be exempt from statutes that guarantee tenure and contract renewal and that restrict transfers and demotions (Arons 1989-1990). Private schools also should continue to enjoy protection against the assertion of special constitutional rights by school employees, for example, to belong or not to belong to unions and professional associations (Lieberman 1986a, Valente 1985).

Some concessions can be made.

Parental choice advocates must be prepared to make some concessions to the public's concerns over the accountability of private schools that accept public dollars (Moe 2001). Foremost, they can preempt some criticism by placing in their proposed legislation language prohibiting participating schools from teaching the hatred or expounding the inferiority of any person or

group on the basis of race, ethnicity, color, national origin, religion, or gender, or discriminating in their admissions policies on the basis of race, color, or national origin (Bast 2002).

Voucher proponents may also agree to require participating schools to administer standard achievement tests of each school's choosing and make test results available publicly and on request. Because most private schools already administer such tests, this is unlikely to be a burdensome regulation, and it addresses the common complaint that some parents are unable to monitor the performance of the schools their children attend.

Preserving school autonomy, however, requires that authority over school certification, testing, and information distribution not be centralized in a state bureaucracy. In a competitive marketplace, good schools would have sufficient motivation to publish and even advertise performance-based information. There are several independent tests of student achievement recognized in most states. The government need only enforce the test mandate, and perhaps only for a limited time.

Four strategies to reduce the risk of new regulations.

Four strategies are available to legislators seeking to reduce the risk of a voucher or tax credit program increasing regulations on private schools (Walberg and Bast 2003, pp. 260-264). The first, which is most effective when part of a constitutional amendment, is to include language establishing that the autonomy of private schools is in the public interest and that all regulations affecting private schools are "frozen" at their pre-voucher levels.

A second strategy is to incorporate in the school choice plan provisions that give opponents of increased regulation the legal standing and tax funding they need to protect school autonomy. This ensures that private schools can retain quality legal representation when needed.

A third means is to require any government body with regulatory powers over participating private schools to have a membership equally balanced between government and private school interests. Such regulatory bodies should not be dominated by individuals who oppose school choice.

A fourth and final means to limit regulation is to combine with the voucher plan an initiative to deregulate public schools. This could put public school leaders and teachers on the same side of the issue as private school advocates, splitting the usual anti-school choice alliance.

Suggested readings: Hess 1999; Arons 1989-1990; Lieberman 1986a.

9. Teach democratic values

The failure of public schools to teach civics and democratic values is a compelling reason to adopt school choice.

Schools clearly play a key role in democracies, but that does not justify the current arrangement, in which all tax dollars raised for education are allocated exclusively to public schools and parents who choose religious or secular private schools for their children are financially penalized. Indeed, the urgent need to do a better job teaching civics and other “democratic values” is a key argument in favor of school choice.

Many public schools fail to teach civics.

Many public schools today do a poor job teaching civics and democratic values. According to a 1998 assessment of 12th-grade students conducted by the National Assessment of Educational Progress, just 25 percent of U.S. students attending public schools ranked proficient or advanced in their civic knowledge and understanding (Clowes 2003). More than 50 percent of African-American high school students scored below basic, meaning they were unable to answer correctly even simple questions about the organization of government, the U.S. Constitution, and the roles of citizens in a democracy.

Government-run schools are also unlikely to give parents an affirmative experience with self-government. By taking away from parents any authority to choose the schools their children attend, and then rejecting their input on curricula, staffing, and other operational matters, government schools are more likely to diminish than promote civic and democratic impulses (McGarry and Ward 1966, Blum 1958). What civics lessons do students learn when they observe their parents being systematically excluded from meaningful participation in their schools?

Private schools do a better job teaching civics.

According to the same assessment cited above, students attending Catholic schools scored much higher on their understanding of civics, with 39 percent of students ranked proficient or advanced in civics. Thirty-five percent of students attending other private schools also ranked proficient or advanced.

Not only do private school students score better on civics assessments, they are also more likely to experience diversity and

learn to tolerate ethnic and religious differences. “Private school students were twice as likely to be in ... well-integrated classrooms as public school students. And private school students were much less likely to be in highly segregated classrooms” (Greene 1998, pp. 96-97). Private school students were also nearly twice as likely to report making friends with students of other racial and ethnic groups in their schools (Greene 1998, p. 99).

Democratic values and capitalism are not contradictory.

Critics of private schools assert there is a fundamental conflict or tension between the promotion of democratic values and reliance on civil institutions such as churches and markets to operate schools. Yet, as was reported above (see Principle 1—“Allow parents to choose”), America’s educational system relied on competition, choice, and privately paid tuition for some two centuries before the arrival of the modern public school and it successfully educated generations of Americans.

Economic historians contend that the institutions of capitalism—private property rights, freedom of exchange, and the Rule of Law—are necessary for creating the peace and prosperity that are essential for democracies to succeed (Pipes 1999, Bethell 1998). The institutions of democracy—open elections, political equality, and majority rule—divide and check political power, an essential condition for the preservation of individual liberty and capitalism (Olson 2000). Historically, capitalism and democracy emerged side by side, each the guarantor of the other. They promote and protect rather than contradict one another.

The claim that private schools cannot prepare citizens for democracy also overlooks an opposite concern: How wise is it to allow a government to control the schooling of its own citizens? Government control over most or all of the schools undermines the independence of its citizens and weakens the mediating institutions such as the family and voluntary private organizations that help create and protect democracy (Mill 1859, repr. 1947, p. 108).

Suggested readings: Clowes 2003, <http://www.heartland.org/Article.cfm?artId=11786>; Pipes 1999; Greene 1998.

10. All parents should be free to choose

The goal should be to allow every parent to choose, require every school to compete, and give every child the opportunity to attend a safe and effective school.

The benefits of parental choice in education apply to all parents and children, regardless of income, race, or religion. All parents, therefore, should be free to choose.

Phase-in provisions may be necessary at the beginning.

Because school choice advocates face powerful opposition from organized interests that benefit from the status quo, they must form alliances with groups that disagree with them on some issues. A common compromise is to phase in an ambitious voucher plan over several years.

Phase-in provisions specify that parts of the new program are to be implemented only after the passage of time or some other triggering event. Eligibility may be restricted at first to low-income students, students in particular cities or school districts, or students attending failing public schools. Or the size of the voucher could be small at first and then increase gradually. Phase-in provisions have many benefits, among them:

- reducing the cost of the program during its early years by limiting the number of pupils who participate;
- pre-empting charges that the program would benefit wealthy families disproportionately or hurt minorities or low-income students; and
- giving the private sector time to accommodate new demand by starting new schools or expanding the capacity of existing schools.

Incrementalism is an alternative strategy.

Incrementalism is a different strategy whereby school choice supporters endorse a very limited or modest voucher or tax credit plan containing no provisions for later expansion. Supporters then work to expand the program by introducing successive legislation, hoping the “pilot” program creates the informed awareness and support needed for passage of more ambitious programs. Examples

of incrementalism include voucher programs operating in Milwaukee, Cleveland, and Florida.

Incrementalism has many of the same benefits as the phase-in strategy, and it has allowed school choice advocates in some parts of the country to clear the barriers to reform that other strategies could not. However, incrementalism can encourage the public to confuse pilot programs with real tests of the school choice concept (Merrifield 2001). A pilot voucher program limited to students from low-income families and nonreligious schools, such as the original Milwaukee program, is not a meaningful test of vouchers.

Another weakness of incrementalism is that opponents of choice usually fight as hard against limited plans as against more ambitious ones. Teacher union leaders understand that voucher plans directed at low-income minority parents are intended to break the alliance between organized labor and minorities, a key element in the coalition against privatization of all kinds. Union leaders therefore invest heavily in lobbying against even modest plans.

Religious and for-profit schools and the children of nonpoor families should not be excluded.

Regardless of the strategies they adopt, school choice advocates ought to look ahead to a school choice program that creates a genuine free market for education, free of the rules and restrictions that hobble current “pilot” programs.

Religious and for-profit schools must be allowed to participate in a successful school choice program. Most successful private schools in the United States today are religiously affiliated because offering religious curricula and subsidies from church members are ways they compete for students against “free” public schools. For-profit schools should be allowed to participate in voucher programs because the ability or willingness of not-for-profit schools to accommodate new demand is too much in question. For-profit schools are more likely to provide innovative offerings that appeal to parents (Lieberman 1986b, 1989).

Finally, a program designed only for poor people, Milton Friedman (1998) has warned, will be a poor program. Middle- and upper-income voters are unlikely to rally in support of a program that does not benefit them, leaving interest groups free to take over and run the program for their own benefit. Better then, and more just, that programs give all parents a choice and every child a safe and effective school.

Suggested readings: McGroarty 1998; Friedman 1998; Lieberman 1989.

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Additional Resources

- *Education & Capitalism*, by Herbert J. Walberg and Joseph L. Bast (Stanford, CA: Hoover Institution Press, 2003). Entire text is available online at www.hoover.org.
- *Let's Put Parents Back in Charge!* by Joseph L. Bast and Herbert Walberg (Chicago: The Heartland Institute, 2004). Entire text available online at www.heartland.org.
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www.allianceforschoolchoice.org

American Legislative Exchange Council

www.alec.org

Black Alliance for Educational Options

www.baeo.org

Brookings Institution

www.brookings.org

Cato Institute

www.cato.org

Citizens for Educational Freedom

www.educational-freedom.org

Education Consumers Clearinghouse

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Heartland Institute

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Everything you need to know about one of the hottest public policy issues facing legislators and civic and business leaders today.

Since the U.S. Supreme Court ruled school vouchers are constitutional in 2002, grassroots activists around the country have been organizing to support passage of school choice programs. Legislatures passed statewide programs in Florida and Colorado, and other states are expected to follow their lead. Some 35 cities have privately funded voucher programs.

This small booklet, the first in a series from The Heartland Institute, provides policymakers and civic and business leaders a highly condensed yet easy-to-read guide to the debate. It presents the 10 most important principles of the school choice movement, explaining each principle in plain yet precise language.

This booklet also contains an extensive bibliography for further research, including many links to documents available on the Web, and a directory of the Web sites of national organizations that support school choice.



**Turning ideas into social
movements that empower people.**

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