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# The School-Choice Choices

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In the United States today, most high school graduates are not ready for the challenges of the modern world or higher education. Their subpar skills pose a major threat to the vitality of our economy. In 1983, a presidential commission on education found the nation “at risk.” In 1992, Congress declared that “the current achievement levels of students in the United States are far below those that might indicate competency in challenging subject matters in core content areas” (*Goals 2000: Educate America Act*, 112). In March 1996, the Second National Education Summit emphatically made that point again. Recent polls indicate that, according to Americans, elementary and secondary education is the most important political issue (1998, 30, citing the Kaiser Family Foundation and Harvard University Survey).

Many people attribute the poor educational outcomes to the political prescription of education practices and the absence of market forces that results from the exclusive access of public schools to tax dollars. “Politics permeates the educational system” (Wong 1996), determining the curriculum, textbooks, teaching credentials, instructional practices (sometimes prescribed in considerable detail), and attendance zones. Most children must attend a particular public school. According to the National Center for Education Statistics, 80 percent of children in kindergarten through high school (K–12) attend their assigned public school. Yet so-called public schools are less public than other government-funded services such as hospitals, roads, parks, libraries, parking lots, even golf courses and marinas that are open to anyone willing to pay user fees (Center 1970, Gatto 1992).

Many analysts and officials have argued for more parental choice (for example, Chubb and Moe 1990, Coons and Sugarman 1991, Center 1970, Lieberman 1993, Walberg and Bast 1993, and West 1994). Others have argued against it (for example, Texas 1994, Smith and Meier 1995, and Henig 1994). But only two of the choice options have received extensive consideration: *public-school choice*, which provides for

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open enrollment among public schools, and *private-school choice*, under which taxpayers help parents pay private-school tuition (Beare and Boyd 1993, Bierlein 1993, Boaz 1991, Clune and Witte 1990, Cobb 1992, Center 1970, Texas 1994, Henig 1994, Wells and Biegel 1993, Witte and Rigdon 1993).

A number of studies exemplify the narrow focus of the school-choice controversy. The Center for the Study of Public Policy noted that a reformed education system did not have to favor public schools, but nonetheless it considered only policy options that did so (Center 1970, 26). J. F. Witte and M. E. Rigdon (1993) observed that a proposal by J. E. Chubb and T. M. Moe (1990) maximized consumer choice and school autonomy, even though under that proposal government officials would “orchestrate and oversee the choice process,” imposing price controls and controlling who would operate new schools. “Saving Our Schools,” an article published in *Business Week* (1992), characterized private-school choice as being “at one extreme,” and D. P. Doyle called it “a fundamental transformation” (1992). H. J. Walberg and J. L. Bast admitted that private-school choice made only limited use of market forces, yet they described it as “comprehensive educational choice” (1993). The narrow focus has persisted at the highest levels. For example, it dominated a February 17, 1997, meeting in the Utah governor’s office (“Free to Choose,” 1997). In addition, political defeats such as that of California Proposition 174 apparently have convinced choice advocates that too much choice, rather than too little choice (or poor political strategy), caused the defeat. The political setbacks of private-school choice have reinforced narrow-minded views about parental choice.

The narrow focus is unnecessary and dangerous. Payment by users is enforceable, so education is not a classic public good such as national defense that only the government can provide. Businesses can supply education. Regulations and subsidies can deal with spillover and equity issues (Lott 1987, West 1994). The U.S. Supreme Court ruled in 1973 that “states didn’t have to provide public education” (Lieberman 1993, 000). There are no legal or practical reasons why the public debate should not include child-centered public funding and outright (consumer-funded) privatization, and there are many reasons why the debate should include those options.

Child-centered public funding was almost completely ignored between the time Milton Friedman first proposed it in 1955 and its resurfacing in 1997 in a proposal by William Allen and Eugenia Toma (“Scrap Public Schools” 1997). The Allen-Toma proposal was based on a 1996 study ordered by the governor of Michigan, John Engler. The Michigan study concluded that the government’s operation of schools insulated from competition was the biggest source of educational inefficiency. Child-centered public funding uses tax revenues as a large source of education funding, but under this scheme all schools must compete for funds. Hence, the focus shifts from supporting a “system” to satisfying parents with educational outcomes. Except for the budget of the agency that disburses public funds and performs oversight functions, all of the tax dollars earmarked for education reach individual schools through parents’ choices. Parents who prefer their current public school can continue to send their

children there, but they would receive the same amount of taxpayer support if they transfer their child to a private school.

With outright privatization, parents pay school fees from their disposable income. Fees and donations fund K–12 education. Outright privatization has received more attention (most recently from Coulson 1999) than child-centered funding, but it is rarely mentioned and has never been considered seriously in recent debates. Until well into the nineteenth century, however, primary education in the United States was largely funded in this way. As late as the 1830s, the education of low-income students was supported by philanthropy and charity. “Free” schools were set up, or the tuition of poor students enrolled at private schools was paid for by donations. Literacy rates were high, and the “free” schools were usually good (Blumenfeld 1981, Coulson 1999). Nineteenth-century England experienced similar developments (West 1994). Still, despite periodic, sometimes detailed reviews (Blumenfeld 1981, Coulson 1999, Lee and Sexton 1992, Richman 1994, Rothbard 1994, Rockwell 1992, and West 1994), the track record of consumer-supported private schooling is not well known. The widely held beliefs about the disadvantages of outright privatization deserve re-examination, given its major advantages.

Child-based funding and outright privatization are less vulnerable to most of the typical criticisms of public and private-choice proposals. For example, the most politically potent criticism of private-school choice has been the alleged impact on the children who stay in the public schools (Henig 1994, Greider 1992). But such allegations have long-term relevance only if some children have to stay there. With outright privatization there are no public schools. With child-centered public funding, children receive the same level of public support no matter which school their parents choose, so no one has to stay in a public school indefinitely. If the public schools are not choiceworthy, child-centered public funding will cause private schools to replace them gradually.

## The Comparison Factors

The factors that dominate the parental-choice debate, and the ones I use here to evaluate the four proposals, are: competition, access to instruction, socialization to a common culture, stability of reforms, and formalization of educational practices. Comparisons with reference to these factors shift the debate toward consideration of the importance and desirable direction of change of each factor. Using the traditional, more subjective evaluation factors—efficiency, equity, and freedom—would bog us down in controversies over measurement, definition, and methods of implementation.

### *Competition*

Although choice advocates chronically overlook key elements of competitive markets, they tout competition as the key to improvement in the school system. The main elements of market competition are numerous independent competitors, opportunities

to compete (access to resources and the ability to start new schools), and incentives (what competitors gain or lose) to compete for education consumers.

### *Access to Instruction*

Access has two key parts: affordability and availability. Affordability depends on family income and on taxpayer and charitable funding. Availability depends on proximity and on opportunities and incentives for product differentiation, including educators' abilities to customize services and adapt to new information.

### *Socialization to a Common Culture*

This factor evaluates the degree to which children reach adulthood aware of their rights and responsibilities in a republic (Wise and Darling-Hammond 1984). Part of socialization is exposure to a mix of children representative of the racial, ethnic, and economic diversity of their region.

### *Stability of Reforms*

Reforms may undermine the political or economic support for key elements of their likely outcomes. A reform that causes some groups to benefit at the expense of others or that fails to yield broad-based academic gains will probably be politically unstable.

### *Formalization of Educational Practices*

Formalization of curriculum, textbooks, teaching methods, and so forth means that rules, especially those that school-based educators cannot readily influence, constrain education policymaking and prescribe the behavior of teachers (Fossedal 1996).

## **Evaluations of the Choice Options**

Presently, with few exceptions, parents have school choices only if they can pay private-school tuition in addition to school taxes or if they can move to the attendance area of another public school. The financial hardship of tuition payments or moving costs is a major deterrent for middle- and lower-income families. The similarities of public schools and the resource-poor nature of most private schools significantly diminish the incentive to incur such expenses.

The limited range of parental choice available now may do society more harm than good. Higher housing costs near the better schools keep the least mobile, lowest-income people near the worst schools. Because experienced teachers seek transfers to schools in more affluent neighborhoods, the schools in lower-income areas have the least-experienced teachers. The disparity-raising and class-segregating effects are self-reinforcing. Departures by high-income families reduce the tax base (probably also the involvement of parents and the quality of students) of the worst public schools, whereas the destination schools and neighborhoods enjoy the opposite effects (Wyck-

off 1991). Policies such as busing, redistributing tax dollars, and reducing the role of local property taxes can only partially diminish the disparities in education opportunities (while creating new problems).

### *Public-School Choice*

Open enrollment among public schools allows parents to transfer their children without having to change their residence. It makes the government's schools as public as other government facilities.

### *Competition*

Periodic claims are made that public-school choice prompts meaningful competition (Clune and Witte 1990, Armor 1997), but such claims have no theoretical basis. J. Leo has written that "offering choice only within the public schools is akin to offering Russians the right to shop at different state stores" (1991). Public schools are at most partially independent, and no appropriable profits exist to spur them to innovate or cut costs. M. Lieberman calls public-school choice "trivial" (1993) because it lacks any of the conditions that characterize competitive markets. It creates only weak incentives to improve. C. W. Cobb (1992) forecasts that it would not prompt any meaningful changes in school practices. Others, such as L. A. Bierlein (1993), merely wonder what motive the public schools would have to compete.

Nationally, 88 percent of children attend public schools—well above the threshold that the U.S. Justice Department's Anti-Trust Division uses to define monopoly. School principals have neither the profit motive nor the options (to spread successful practices to other places) and concerns (bankruptcy) that characterize the producers in competitive markets.

The empirical evidence is mixed and controversial. D. Durenberger (1990), a U.S. senator, claimed that the Minnesota version of public-school choice created competition and improvements. E. R. Fiske (1991) gave public-school choice, especially the controlled choice program in Cambridge, Massachusetts, credit for numerous improvements.

J. E. Coons (1991), M. Lieberman (1990), and C. W. Cobb (1992) cite detailed evidence that choice among public schools is trivial. The Texas State Teachers Association (TSTA, 1994) concluded that choice programs (including Minnesota's and some of Fiske's [1991] examples) proved that choice should be abandoned. According to the TSTA, choice fails because government institutions do not respond to market incentives, a strange conclusion coming from a strident choice opponent. Some conservatives make the same claim to argue for outright privatization. The TSTA's ineffectiveness finding applies to the choice programs that dominated their review, but their general condemnation of parental choice had no basis. The TSTA review included only a restriction-laden example of private-school choice (Milwaukee) and no examples of outright privatization or child-centered funding.

### *Access*

Public-school choice only slightly increases parents' access to services. Although open enrollment among public schools would not change the affordability of parents' options, it would lead to some product differentiation. Public schools would specialize to some degree, but school principals and public-school teachers would not be as motivated to specialize and change as private-schools teachers with the same resources. In addition, public schools "must avoid offending any constituency" (Cobb 1992). The weaker incentives for public schools to customize services, along with the political constraints on specialty areas, imply that the student transfers would be from bad to better versions of very similar practices. With more extensive specialization, many varieties of excellence can coexist, and each school can be popular for different reasons.

### *Socialization*

Open enrollment would enlarge and overlap schools' attendance areas, which might increase the diversity of students at a school. However, the modest degree of specialization that would result from public-school choice would only slightly reduce the significance of student-body composition as a choice criterion. To understand how uniformity in educational practices inflates the importance of bias in making a school choice, consider the situation of a family as it decides where to live or, with public-school choice, where to enroll the children. If public-school practices are similar, student-body composition might be the only significant difference between the top preferences of location. Without other significant differences, even mild biases become the decisive school-choice factor. People would no longer have to incur moving costs to act on a bias.

The slight pedagogical specialization that might occur with the elimination of formal, exclusive attendance areas would make instruction more effective, including in the area of rights and responsibilities.

### *Stability*

If attendance-based funds exceed marginal costs per pupil, funding shifts can create losers and adjustment costs—potential sources of political dissatisfaction that could cause a return to the status quo ante.

Many choice advocates are betting on incrementalism—positive political instability—to achieve a version of "full school choice" even without key elements of a competitive market (Clowes 1998). But incrementalism is a serious strategic mistake, the "kiss of death" for more genuine parental choice (Friedman 1992). Government programs tend to be durable. In addition, inappropriate generalizations by citizens as well as deliberate distortions by choice opponents could produce widespread agreement that parental choice was to blame for problems and ineffectiveness, even though the problem was not enough choice. Some observers have already concluded

that choice is a failed experiment (Chance 1986, “Common Sense” 1993, Texas 1994).

### *Formalization*

Public-school choice does not affect the rules that school-based educators cannot readily influence.

### *Private-School Choice*

Private-school choice requires that taxpayers help parents afford private-school tuition, in effect creating two publicly funded systems. If a child transfers to a private school, less than the average public-school expenditure per pupil moves with him. Departures from public schools (henceforth referred to as “departures”) would raise their resources per pupil. Mass departures from the worst districts would leave them with more money per student. Payments to private schools could come from “new” money, but that would greatly reduce the incentive of public schools to change (Hoxby 1998), and education spending would rise at the expense of other private or government expenditures.

Many voters would not recognize the major differences in the incentives underlying the various parental-choice options (Hood 1991). Voters might blame problems on the concept of choice in general so that problems unique to private-school choice would poison the political atmosphere for other forms of parental choice. The widely publicized Milwaukee voucher program lacks all of the elements of a competitive market and provides very little choice, but it is constantly cited as a general indicator of the effects of parental choice.

Standing against those risks are the benefits of some rivalry and greater specialization. Even if private-school choice led to the gradual abandonment of public schools, forcing some low-income families to endure a gradual deterioration of their public schools—which is the prediction of many opponents of choice—the long-term benefits of total privatization might still exceed the high cost of getting to that outcome.

### *Competition*

Small departure-related funding losses would minimize the possibility of harm to public-school students. Accordingly, proponents of private-school choice feel compelled to promise that departures would not harm the public schools. However, keeping departure-related losses small would reduce competitive pressures, product differentiation, the creation of new schools, and parents’ ability to take advantage of existing options. Still, Clint Bolick (1994) reports that in Puerto Rico, low-income vouchers, each worth \$1,500 and usable in a public or a private school, caused some improvement and an increase of specialization by public schools.

The other competition-related issues are participation restrictions and the parents’ right to supplement public funds with their own money (or *add on*) and thus to

receive public support even if they send their children to schools that charge more than the amount allocated by public funding. Most proposals for private-school choice preclude significant competition by restricting eligibility to low-income families or to schools that are considered to have “low performance.” The existing programs in Milwaukee, Cleveland, Maine, Vermont, and Florida are much too small to create any semblance of market forces.

Denial of the right to add on to the public funds, as in Florida and Milwaukee, is a competition killer. Suppose the public support were \$5,000 per child. If add-ons were prohibited, all but the most elite schools would charge \$5,000, whereas some would have charged less because they lack access to the public support. Services that cost slightly more than \$5,000 per child would have to be purchased entirely without public support. To receive \$5,100 worth of instruction, families would have to spend \$5,100 more than they would if they settled for \$5,000 worth of instruction. Virtually no one would forgo the public support of \$5,000 per child for an additional few hundred dollars worth of instruction. Hence, the more costly instructional programs would not be viable, and the variety of the schools actually competing would be correspondingly diminished.

### *Access*

Participation caps, the amount of public support per child, and add-on policies affect the increase in access to private-school services, including those that do not exist yet.

State governments derive their authority to regulate private schools from compulsory school-attendance laws, but public funding would increase regulatory pressures. The government must attach some conditions to taxpayer support in order to deter fraud and extremism. Even though setting a minimum school size would probably deter much fraud and even the promotion of extremists’ views (Lieberman 1993), the political process could give rise to other rules. Powerful unions and other opponents of choice have a big stake in the conditions attached to the public money (Beare and Boyd 1993, Blumenfeld 1984, Lieberman 1993, and West 1994). Hence, private schools also might become “bland creatures of the majority” (Coleman in Clune and Witte 1990). Because the specific impacts on the practices of private schools are uncertain, vigilance is in order. Libertarians (Richman 1994, Rockwell 1992, and Rothbard 1994) and some conservatives (Miller 1992) still say that government funding will bring about a “deprivatization of private schools.”

### *Socialization*

More children would attend private schools that did not restrict their enrollment to a certain neighborhood. Increased specialization by private schools would reduce the relevance of bias as a choice-making criterion among private schools. That private-school curricula might not contain some material mandated by the body politic is not necessarily bad. The political gauntlet filters out much significant material.

### *Stability*

Political stability is a largely overlooked issue. Small programs such as those in Milwaukee and Cleveland are probably politically stable, but programs such as the one defined by California Proposition 174 might not be. Private-school choice could reduce the already fragile political support for public schools. L. A. Bierlein (1993) has expressed that concern. Colorado governor Roy Romer made it a key part of his successful effort to defeat Colorado's ballot initiative for private-school choice. He claimed that departures would make it more difficult to convince citizens to approve public-school spending, support bond issues for school construction, and vote in school board elections.

Such effects and others have already occurred in Australia (Beare and Boyd 1993), where nongovernment schools receive substantial sums from state and national governments. Nongovernment, nonsecular school enrollments there are growing despite declines in the total number of children. Anderson (in Beare and Boyd 1993) repeatedly uses the term *political instability* to describe the effects of large net departures from Australia's government-owned schools. W. L. Boyd calls Australia's school-funding policy "politically unstable" (1987) because Australia essentially has two publicly funded systems.

The more accessible private schools become through private-school choice, the greater the erosion of the political and long-term financial support of public schools. The long waiting lists for privately funded, *partial* low-income vouchers indicate that substantial erosion could result from even low levels of taxpayer support. Evidence from Australia (Beare and Boyd 1993) and Chile (Carnoy 1996) indicates what would probably happen with unrestricted access to modest support. Departures would occur disproportionately in families willing to supplement the taxpayer funds with their own funds and in families most actively involved in their child's education—the students and parents whose involvement and support the public schools can least afford to lose. Education outcomes may improve for society as a whole, but an accelerated decline of public schools could hurt low-income families forced to choose between those schools and the cheapest private schools.

### *Formalization*

The net effect on children depends on how many shift from more-rigid public schools to less-rigid private schools and on the nature of any increase in the regulation of private schools.

### *Child-Centered Public Funding*

Under a child-centered public-funding scheme, schools would receive tax dollars only according to the enrollment choices of parents. Even the government-owned schools would derive their support as businesses do, directly from the people who use their

services. Present school districts would vanish or become much less important. Formal school attendance areas would vanish. With child-centered public funding, parents would no longer be penalized for choosing private schools, so low-income families would no longer be stuck in bad schools that could deteriorate with the departure of other children. Taxpayer-supported private schools would then be as public in terms of access and support as public schools, but they would be private in terms of ownership and management. With the elimination of attendance areas, public schools would become truly public.

There are significant transition issues. If public schools cannot compete successfully, school facilities and employees would move to the private sector. Taxpayers would enjoy a windfall from facility sales in some places, but they would suffer losses where competition made some facilities obsolete. Employee transfer is the most difficult issue. School entrepreneurs are not bound by former hiring policies and tenure decisions. Profit-seeking owners would dismiss employees who cost too much or who drive away students. Pension protection is a second serious, though less troublesome, issue.

Once the uncertainties were resolved, many educators would appreciate the result. Educators are much more likely to realize their full, probably higher, market value with numerous competing schools (Merrifield 1999). Child-centered public funding would also provide many teachers with enhanced opportunities to use their special skills and develop their expertise through a more competitive labor market and greater school diversity.

### *Competition*

Current nonfederal education revenues would yield taxpayer support of about \$5,000 per mainstream student. Means testing the level of support is an option, but that would complicate education policymaking by introducing income-distribution issues. Because most current private schools run on much less than \$5,000 per child, parents would have access to nearly all of them, and child-based funding would increase parents' leverage with educators. The high stakes would also increase educators' interest in cost cutting and innovation. Because of large fixed costs and specialized assets, the difference between profit and loss could hinge on relatively few students at the margin, so educators' incentives to excel would be strong even if only a few parents were capable, careful buyers of instruction.

The profit-making opportunities created by \$5,000 of public support per student would cause many entrepreneurs to enter the market, and many existing private schools would expand. Entrepreneurs can probably do a better job than the current public schools for less than \$5,000 per pupil, so major overinvestment in K-12 education is a possibility. That outcome might prompt legislators to gradually reduce public support. The political determination of the level of public support is the major shortcoming of child-centered public funding.

Again, the right to add on to public funding is a critical issue. Market determination of prices (tuition) is a cornerstone of competitive conditions. Therefore,

schools must have the freedom to set whatever price they want. Denying the right to add on could also have important political ramifications. Absent add-ons, the increase in parental choice could receive the blame for a reduction in the availability and quality of education services.

A good argument can be made for going even further and requiring an add-on. Lieberman (1993), West (1994), and Coulson (1999) have argued that parental sharing of education costs would significantly increase parental attention to education issues and school differences.

### *Access*

Perhaps tax dollars should not fully cover fees, but with regard to access it is important to have enough taxpayer support that, with competition, many schools would accept it as nearly full payment. Public funding of \$5,000 per child or, say, 90 percent of the total cost of attending a private school, whichever was less, would give even low-income families access to most schools. Significant incentives to specialize would greatly increase the diversity of services available to most children. That diversity would spur parents to examine the options more carefully—another reason why parents would become more involved in their child's education. The better match between parents' preferences and educators' practices would also reduce litigation, political polarization, and tensions between teachers and parents. It would also increase students' incentive to stay in school and work hard.

Child-based funding would not eliminate the threat of a significant increase in the regulation of private schools, but it would lower the probability of such an increase. Competitive pressures would weaken the likely proponents of regulation, who are primarily today's opponents of choice. The additional costs attributed to private-school choice (Levin 1991) could not result from administratively simpler child-centered public funding. Equal support of mainstream children would also yield regional funding equity within any scope (multicounty, statewide) desired. According to R. Fernandez and R. Rogerson (1997), the equalization of public funding would increase the future aggregate income of society.

### *Socialization*

More children would transfer to private schools. Otherwise, child-based funding raises the same socialization issues as private-school choice. Greatly increased specialization, compared to private-school choice, would further reduce the relevance of bias as a choice-making factor. When school practices differ significantly, student-body composition would affect the school choices of only the most ardent racists.

### *Stability*

Every family would have genuine, steadily improving choices, so there would be no danger that improvements in some schools would harm children stuck in other

schools. Competition among schools for students and personnel would significantly weaken the constituencies that prefer accountability to politicians to accountability to customers. The equalization of public support for similarly situated children would weaken the equity arguments that some would still make against child-centered funding because wealthier families would buy more education through add-ons.

### *Formalization*

More children would attend schools that make their own policies. That change would eventually include the surviving government-owned schools, which would have to increase site-based control significantly in order to specialize and stay flexible, and thereby remain competitive. Competition among teachers, opportunities for teachers to specialize, and competition for the best teachers would give them the autonomy of true professionals.

### *Consumer-Funded Education*

Outright privatization would eliminate school taxes. Legislators would reallocate or refund the general revenues formerly spent on K–12 education. Parents would buy instruction for their children just as they buy other things.

There are four key differences between child-centered public funding and outright privatization. First, under the former, the political process has a major role in deciding K–12 spending, but under outright privatization, markets alone determine the spending. Second, outright privatization makes access to education more dependent on family income and how families prioritize education spending. Third, school regulation is less likely when tax revenues are not involved. Fourth, child-centered public funding could be fully implemented very quickly, whereas outright privatization would have to be phased in slowly. Even if all former public-school funding were refunded to taxpayers, rather than reallocated to other government functions, much of the tax relief would go to families without school-age children. Many families could not bear the large, sudden increase in household expenses. In addition, the market probably could not absorb all of the government-owned facilities at once.

### *Competition*

Compared to child-based public funding, outright privatization reduces the entrepreneurial stakes by cutting K–12 spending and possibly by removing some low-income families from the market. Outright privatization would create much more competition than public- or private-school choice. Moreover, the absence of government funding would reduce the threat of regulation, overinvestment, and price control that exists under child-centered public funding because add-ons might be banned.

### *Access*

Outright privatization maximizes product differentiation, but the stronger link between income and access to instruction raises concerns. If education services produce spillover benefits (see West 1994 on this controversial issue), strictly private education funding would mean, in terms of neoclassical welfare economics, underconsumption even by families with adequate incomes. Children of low-income or uncaring parents *might* not have access to any formal education. Several scholars have found that high-quality, charity-funded schools produced high literacy rates among low-income children during the periods of history when there was no government funding of K–12 instruction (Blumenfeld 1981, Coulson 1999, Friedman and Friedman 1990, and West 1994), but there is no guarantee that such philanthropic arrangements would reemerge. The extent of such reemergence, as well as its form (charity-operated schools versus vouchers for low-income students), is a key uncertainty preventing a more definitive discussion.

### *Socialization*

Outright privatization would increase the family-income homogeneity of student bodies. Because income and minority membership are correlated, outright privatization would produce less racial and ethnic diversity in the student body than child-based funding.

### *Stability*

Many families would have genuine, steadily improving choices, but some children could be stuck in low-quality schools resistant to change because of their captive, low-income clientele. Disparities in access to instruction, including the possibility of no access for some children, could energize political pressure to reintroduce public support.

### *Formalization*

Outright privatization would minimize formalization.

## *Evaluation-Factor Summary*

### *Competition*

Child-centered public funding maximizes the dollars at the discretion of parents (taxpayer support, perhaps supplemented by their money), so it creates stronger incentives for schools to compete and more competitors. Depending on the regulations that accompany child-centered public funding, either it or outright privatization would maximize competitors' independence and their ability to compete.

### *Access*

Funded at current state and local K–12 education-spending rates, child-centered public funding would yield the most access. It would produce more product differentiation than private-school choice or public-school choice because more schools would be independent and they would be funded at current or higher levels. Child-centered public funding would make more of the available offerings affordable than outright privatization or private-school choice.

### *Socialization*

Increased separation by economic class, race, religion, ethnic background, or other grouping criteria is an unlikely but possible outcome of outright privatization, public-school choice, and highly restrictive versions of private-school choice. The latter two options lower the cost of exercising parental choice within a largely unchanged school system in which similarities in the teaching practices of schools might make student-body composition the most significant difference between schools. Outright privatization would increase the school-choice relevance of income. Increased specialization is the key to diversity because it would sort students by their academic interests.

The other key aspect of socialization is an appropriate common body of knowledge. Curriculum uniformity is more likely among public schools, but a politically chosen curriculum may not create the appropriate common body of knowledge. M. Lieberman's (1993) review of the policymaking process of public schools, illustrated by C. J. Sykes' (1995) account of the textbook production and selection process, demonstrates why the political process so often produces bland and bizarre results. Also, as the current education debate illustrates, theoretical benefits of a politically chosen common body of knowledge are worthless if public schools cannot effectively teach it to children. Judgments about the political process itself and the improvement that would result from public-school choice will determine whether one views child-centered public funding or public-school choice as best in terms of the socialization factor.

### *Stability*

Child-centered public funding is the most likely to be a stable reform, especially if initiated with existing taxpayer support of K–12 education. Under this system, parents—not competition in the political arena—would determine the allocation of public support. Outright privatization is not stable unless philanthropy generously supports children from low-income families. Probable continued ineffectiveness of public schools could make private-school choice and public-school choice unstable reforms.

### *Formalization*

Outright privatization minimizes formalization. Private-school choice or child-centered public funding could increase formalization if either were to lead to greater regulation of private schools.

### **Conclusion**

Private-school choice is not at one extreme and the status quo at the other. Simply taking some money away from public schools to make private schools more affordable creates little incentive or authority for public-school administrators to overcome major obstacles to improve their schools. It could actually make public schools worse. Child-centered public funding and outright privatization lie at the other extremes from the status quo. School reformers should include them among their reform options.

Choice advocates who seek more competition, access, and stability, as well as less formalization, should prefer child-centered public funding or outright privatization. Those systems are superior to public-school choice and private-school choice on each comparison factor. Private-school choice may perform better than the status quo, but it is inferior to child-centered public funding. Many of the frequently heard arguments against parental choice apply only to choice within a dual system of public and private schools. Therefore, child-centered public funding has fewer political disadvantages than private-school choice. In addition, child-centered public funding has every advantage of private-school choice to a greater extent and some extra advantages. It produces more taxpayer support of choice from existing education funds, which increases parents' choices and competitive pressures with a lower probability of debilitating regulation and of higher taxpayer costs. It is more stable than private-school choice, so it is less likely to produce unpleasant surprises. Political instability could cause private-school choice to evolve into child-centered public funding with the gradual defunding of public schools even while the least fortunate students remained dependent on them until the system shut down completely. The public might not tolerate the wrenching, highly visible demise of the public schools that could accompany an unplanned transition from private-school choice to child-centered public funding. Voters might demand the abandonment of such a painful transition and give up on choice or severely restrict it.

The choice between outright privatization and child-centered public funding is not as clear-cut. The advantages of outright privatization—market-set resource allocations and school fees, and minimum government intrusion—are significant. The disadvantages are also potentially significant. Much would depend on whether enough philanthropy emerged to educate the children of low-income families. Under outright privatization, education could become unavailable to low-income families,

and middle-income families could underconsume it (as underconsumption is understood in neoclassical welfare economics).

Political pragmatism dictates that the proponents of extra parental choice should support child-centered public funding. This option lacks some of the serious political liabilities of private-school choice and outright privatization. Private-school choice was soundly defeated in several statewide elections, primarily through criticisms that do not apply to child-centered public funding. The political instability and more limited options offered by private-school choice could prevent a genuine application of market forces. The assertion that outright privatization will leave children from low-income families uneducated will cost the advocates of choice many votes. Proponents of outright privatization are much more likely to achieve their objective by using child-centered public funding as a starting point. The decay of private-school choice into child-centered public funding could be messy and might cause voters to abandon the reform, but a transition from child-centered public funding to outright privatization could be fairly smooth and painless. That transition would require only a decrease in the inflation-adjusted value of taxpayer support over time for parents to gradually assume a growing share of educational expenses and for experience to show whether charities will materialize to help fund the education of children from low-income families.

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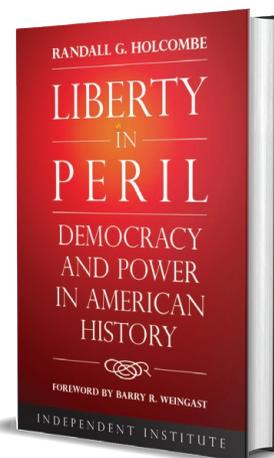
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