



## Education: From Status Quo to Dramatic Reform (Part I)

by José Stelle

This three-part series suggests how economic science can enlighten education reform, explains the origin and application of vouchers, and discusses the inherent disadvantages of public schools in contrast to a new conception of education for a free society.

### A New Way of Thinking about “Public Education”

The acknowledged failure of America’s system of public education has given rise to a broad movement for educational reform. This recent but still undefined attempt to change the face of education has been in the making at least since the mid-1950s.<sup>1</sup> For the last quarter century it has forced politicians and the public-school establishment to make changes: gifted programs, magnet schools, new teaching strategies, school grading, and the No Child Left Behind Act of 2002 are examples of the search for quality instruction within the public-school environment. Nevertheless, student performance continues to lag, and there seems to be little hope of improvement.<sup>2</sup> On September 26, 2006, the Center for Education Reform put a widely-shared feeling in these terms: “Failure to embrace dramatic education reforms threatens the nation’s long-range future as a world power.”<sup>3</sup>

It is difficult to say what these reforms would mean in practice. If decades of reform and billions spent have not changed the quality of government-managed education, can “dramatic reforms” succeed this time? Economic theory and common sense predict that they cannot. The main reason for this likely failure is that many within the education-reform movement still expect government to play a leading role in educational management. But given abundant evidence to the contrary, further reform of the public schools is not reasonable. When the Army needs a new battle tank, it asks Chrysler, not its personnel at Dugway Proving Grounds, to produce it. When the Air Force needs a stealth fighter, it turns to Lockheed’s Skunkworks, not to a government agency, to manufacture it. It is not only good economics; it is common sense. In a sense, education reform can only succeed if it is generated by similar economic thinking and practice.

From a technical point of view, the unsurpassed vigor of the market alternative is explained by the main insight of the “socialist calculation” debate of the 1920s and ’30s: Without private ownership and management of resources, markets and prices do not emerge; thus, economic calculation is impossible, and economic coordination severely impaired.<sup>4</sup> In addition, quality is poor and customer satisfaction is out of the question. By contrast, private ownership leads to markets which generate price signals informing all economic agents how best to employ their energy and capital. Also, competition promotes quality, customer satisfaction, and freedom of choice. Hence, economic efficiency has led many governments the world over to deregulate their economies and to auction off state-owned enterprises.

Can the revolution in economic science and practice of the last 30 years now guide the school-reform movement and be applied to the field of education? Can a “responsibility system” (the post-Mao euphemism for “private property” in China) develop in America with regard to public education? Can Americans hope that one day, sooner rather than later, government-owned and -managed schools will be simply transferred to duly constituted associations of teachers and parents, or sold to reputable

---

A Publication of: **Public Interest Institute at Iowa Wesleyan College**

600 North Jackson Street, Mt. Pleasant, Iowa 52641-1328

If you wish to support our efforts, please donate by sending a check to us at the above address.

PII is a 501 (c) (3) non-profit organization and all contributions are tax deductible.

E-Mail: [public.interest.institute@limitedgovernment.org](mailto:public.interest.institute@limitedgovernment.org)

Website: [www.limitedgovernment.org](http://www.limitedgovernment.org) Phone: 319-385-3462 Fax: 319-385-3799

educational companies or co-ops, and be run as efficient, customer-oriented private concerns that are truly public (in the sense that a hotel or a stock offer is public), though government may still be involved in “education” as regulator and financial guarantor of last resort?

There is reason to hope that the application of economic practice to education may some day become a reality. To some extent, that hope is already being realized. The voucher system and the charter-school movement, for instance, are two recent examples of partial transfer of government management to citizen initiative. The homeschooling movement, on the other hand, is an instance of deliberate rejection and withdrawal not only from “public” education, but from a private system that is perceived as being too closely tied to the rejected one.

As a result, instruction in America, with noticeable repercussions around the world,<sup>5</sup> is slowly being reorganized under a new set of assumptions about the nature and function of education and the role, if any, that government (that is, in today’s unfortunate context, ruthless party politics) should play in it. What the problems actually are and what should or must be done is still not entirely clear to some of the participants; but at least for the first time in American and world history a movement is coalescing to change the face of education.

The spectacle of millions of parents who homeschool their children, send them to private school at great cost to themselves, or desperately seek vouchers so their children may be removed from failing public schools, indicates that, as happened in the economic sphere, confidence in government-managed education is in doubt or coming to an end. Vouchers appear to be the leading edge of the movement for quality instruction. Part II of this series will briefly examine that aspect of education reform.

#### **Endnotes:**

<sup>1</sup> Articles on the failure of the public schools have appeared in newspapers and magazines since the 1920s. The present education-reform movement, however, can probably be traced to Rudolph Flesch’s *Why Johnny Can’t Read* (1955) and to M. Friedman’s *Capitalism and Freedom* (1962).

<sup>2</sup> See, for instance, the Organization for Economic Cooperation and Development’s “Education at a Glance 2005: OECD Briefing for the United States”: “The United States is ... well below the best in terms of student achievement ...”

<sup>3</sup> “American Students Failing to Meet Global standards,” CED press release.

<sup>4</sup> This is the decisive “impossibility of socialism” theorem. (L. von Mises, *Socialism*, 1922.)

<sup>5</sup> Awareness of “school choice” is now worldwide. In the UK, a voucher system has been introduced for funding pre-school education. In principle, this system might be extended to all age groups. (*The Economist*, June 30, 2005.) In Ireland, the EU, and much of Latin America, students are free to choose the public school they want to attend, but there is a growing awareness and push for partial privatization. In the Netherlands, the government funds “special” schools that are run by independent non-profit boards under the same rules that govern the public schools. In Germany, parents are being threatened with jail terms for homeschooling their children, but resistance to state authority in this crucial area of family life is stiffening. In China, economic liberalization has extended to education; private schools are a fast-growing segment of the economy as the government seeks greater economic efficiency and expanded military power through the better-educated workforce that market competition invariably produces.

*José Stelle is a Scholar in Residence at the Public Interest Institute.*

*Permission to reprint or copy in whole or part is granted, provided a version of this credit line is used: "Reprinted by permission from INSTITUTE BRIEF, a publication of Public Interest Institute." The views expressed in this publication are those of the author and not necessarily those of Public Interest Institute. They are brought to you in the interest of a better-informed citizenry.*