THE CASE FOR PRIVATE EDUCATION

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CHAPTER 1
CENTRAL PLANNING VS. SPONTANEOUS ORDER

The costs of public education continue to increase while test scores remain stagnant or decline. The blame for this dismal result has been placed on several possible culprits: inadequate funding, the demographic mix of students, poverty, class sizes, the breakdown of the family, poor teacher training, and many other alleged culprits. While all of these factors may play some role, as we shall see, none play an important role. The central problem with public education is its structure. It is government funded and run. As a result, incentives to improve quality and achievement do not exist. What is occurring in education is no different than the failures of socialism and central planning throughout history.

In the latter portion of the 19th century and early part of the 20th century, intellectuals world-wide were endorsing socialism. It was fashionable among these intellectuals to espouse “planning” as a much more rational way to organize economies compared to the chaos of the market. There was little opposition to these views. Ludwig von Mises was a voice in the dark pointing out that there is “planning” in the market economy too but the planning in a market is decentralized, spread out among millions of entrepreneurs and resource owners, including workers, whereas under socialism it is a dictator or committee that plans everything.
Thus, in the debate between socialism and capitalism, the question wasn’t and isn’t, “Should there be economic planning?” Rather, the question is, “Should we restrict the plan design to a few supposed experts put in place through the political process, or should we throw open the floodgates and receive input from millions of people who may know something vital?”

Mises’ protégé and colleague, Friedrich Hayek⁵, took the argument further pointing out that in the real world, information is so dispersed among myriad individuals that no single planner or planning committee could collect it. For example, a dairy farm manager in Pocatello might know very particular facts about the machines and cattle, which planners in DC could not possibly take into account when directing the nation’s productive resources. Hayek argued that the price system in a market economy is a giant system of telecommunications, rapidly transmitting the essential bits of knowledge from one localized node to the others.

**Should we restrict the plan design to a few supposed experts put in place through the political process, or should we throw open the floodgates and receive input from millions of people who may know something vital?**

Without this price system there is no way resources can be allocated to their best use. It would be impossible for a planner to set the prices and quantities produced of all the millions of goods and services in the economy at the correct level whereas the market system of prices and profits does this automatically.

No central planner could evaluate the efficiency of his economic plan. He would have a list of the inputs into a certain process — so many tons of steel, rubber, wood, and man-hours of various types of labor. He could contrast the inputs with the outputs they produced — so many houses or cars or bottles of soda. But how would the planner know if this transformation made sense? How would the planner know if he should continue with this operation in the future, rather than expanding it or shrinking it? Would a different use of those same resources produce a better result? He would have no idea.

In contrast, the profit-and-loss test provides critical feedback in the market economy. A profitable enterprise is one that directs scarce resources to creating output that has greater value than the resources alone did. An unprofitable business is one where customers are not willing to spend enough money on the output to recoup the monetary expenses necessary to buy the inputs. The inputs have market prices attached to them because other operations are bidding on them, too, which means that an unprofitable business enterprise is siphoning away resources from channels where consumers would prefer that the resources be deployed.

In a market system, prices and profit and losses determine where resources are allocated and what is produced. The result is that goods and services are produced in the most efficient manner and sold at the lowest possible price. The outcome of central planning is inefficiency, misallocation of resources, lower quality and quantity of output.

It is not only at the macro level where the socialist debates occurred. Education reformers in the late 1890s were arguing for a public — that is, government planned and run — education system. George S. Counts, author of the 1932 manifesto “Dare the School Build a New Social Order?”⁶ said that the entire economic and political makeup of the nation was in need of an overhaul. “If democracy is to survive, natural resources and all important forms of capital will have to be collectively owned” (p.45). To early 20th-century intellectuals, capitalism looked like anarchy. Why, they wondered, would we trust deliberative, conscious guidance when building a house but not when building an economy? Why would...
we trust the chaos of the market to provide something as important as education to our children?

The planners won the debate in the education arena. Even in the market economies, education became and is now government financed and directed. Prior to the government’s involvement in education in the early 20th century, there had been a variety of schools and parents had had many choices. There were nondenominational schools, Quaker schools, Lutheran schools, fundamentalist schools, more liberal Protestant schools, classical schools, and technical schools. When government became involved in education, parents were faced with one choice: either let others impose their opinions, biases, judgments, etc., on your children or take over the school and force your opinions, etc., on others.

In reality, parents lost control and so-called educational intellectuals ran the schools. With mandatory attendance, children were torn from parents, often literally. One-room schools were closed, school districts merged, and control of schools moved from local to more centralized control. This process continues today as exemplified by Common Core, Race to the Top, No Child Left Behind, and other programs that attempt to ensure all states have the same public school curriculum, and the federal government dictates what public education’s policies should be.\(^5\)

**Over the past 50 years many attempts have been undertaken to improve the performance of the public school system. But each of these fixes has failed. In a system that is logically flawed there is only so much improvement that can be made.**

The result Mises would have predicted from public education is exactly what has occurred. Performance has declined while costs have risen. K–12 public education is wasteful, expensive, and does not achieve good results. U.S. education achievement results are only about average among developed countries even though per pupil spending in the United States is the highest in the world. Over the past 50 years many attempts have been undertaken to improve the performance of the public school system. But each of these fixes has failed. In a system that is logically flawed there is only so much improvement that can be made. The only solution to education’s problems is to return to the system that existed at the time of Madison and Jefferson, which is performing so well in many developing countries today — that of a private, for-profit system.
All countries have traffic rules, but it is a matter of (arbitrary) convention whether the rule is to drive on the left or on the right. In the British institutional system of traffic rules, the convention is to drive on the left. All countries have an education system, but it should be a matter of convention whether the schools are private or public. It appears not to be, for public schools are the rule.6

Why and how do institutions arise? There are two answers to this question. One, they are imposed from above. Two, institutions arise because they are efficient, that is, they lower transaction costs or reduce use of resources. The focus on self-organizing aspects of a social system can be traced back to David Hume and Adam Smith, and it is a major theme in the Austrian school of economics from Carl Menger to Hayek. Social order can emerge that is not itself an intention or property of any single individual or group of individuals.

In contrast, institutions imposed from top down typically restrict behavior and increase policing. The rules where there are substantial, perceived net advantages to transgression, are the ones that require the most policing. Hence people frequently evade tax payments or break speed limits. Without some policing activity, the law itself is likely to be infringed, debased, and brought into disrepute. When there are continual, substantial violations, the institution will disappear. With a spontaneous emergence of an institution it is unlikely there will be transgressions.

It is not always simple to determine how or why an institution arose in the first place. Consider a recent debate over whether top down or spontaneous generation best explained the institution of democracy on pirate ships.

Peter Leeson (2015) argued that pirate democracy was an efficient institutional response to a principal-agent problem. Pirates were worried that if they delegated power to their captains, their captains would abuse that power, as their captains had done on the merchant ships pirates sailed on before turning to piracy. Constitutional democracy permitted pirates to address this problem. Acemoglu and Robinson (2012) disagree with this explanation for pirate institutions. They argue that, like other democracies, pirate democracy is better explained in terms of power. As they put it, “Democracy arises when nondemocratic elites are forced to cede power to the previously disenfranchised.”7

Because they are not efficient, institutions imposed from top down will not remain in existence unless constantly supported by the state. Conversely, those which arise as efficient parts of transactions will remain as long as they continue to be efficient. When an efficient institution is replaced by a top down institution, it does not necessarily mean the spontaneous institution was inefficient. It is typically the case that the efficient institution is replaced because of special interests seeking power. We see this in the case of education.

Initially, the form of education and how it was allocated was efficient. Education arose because parents wanted their children to be able to help around the home, to carry out transactions, and to read important documents and the Bible. For two hundred years in
American history, from the mid-1600s to the mid-1800s, the educational needs of America were met by the free market. In these two centuries, America produced several generations of highly skilled and literate men and women who laid the foundation for a nation dedicated to the principles of freedom and self-government. Thomas Jefferson, James Madison, James Monroe, Ben Franklin, Alexander Hamilton, and others did not attend public schools yet had read and could understand the philosophical principles of Locke and Montesquieu.

The private system of education in these years included home, school, church, voluntary associations such as library companies and philosophical societies, circulating libraries, apprenticeships, and private study. It was a system supported primarily by those who bought the services of education, and by private benefactors. All was done without compulsion. Early American education was based on the principle of voluntarism.8

Without ever spending a dime of tax money, or without ever consulting a host of bureaucrats, psychologists, and specialists, children in early America learned the basic academic skills of reading, writing, and ciphering necessary for getting along in society. Even in Boston, the capital city of the colony in which the government had the greatest hand, children were taught to read at home.

Government schooling in Britain and the U.S. did not occur until the late 1800s.9 Prior to government involvement, in contrast to arguments posed by many people, most children went to school. Attempts to measure educational output in the form of literacy, using both a variety of studies at particular times and a crude measure (percentage of grooms who signed their names when they got married) that is available over a long time period, show no significant effect of government intervention.10 The eventual expansion of the government school system was in large part the result of efforts by the people running it, plausibly explained by their own self-interest. Its main effect was to replace, not to supplement, the pre-existing private system.11

In the Middle Colonies there was even less government intervention. In Pennsylvania, a compulsory education law was passed in 1683, but it was never strictly enforced. Philadelphia had a school for every need and interest. Quakers, Scottish Presbyterians, the Moravians, the Lutherans, and Anglicans all had their own schools. In addition to these church-related schools, private schoolmasters, entrepreneurs in their own right, established hundreds of schools. As was the case in ancient Greece, itinerant educators enlisted students to engage in discourse and reading and a fee was paid to the teacher.

Historical records reveal that over 125 private schoolmasters advertised their services in Philadelphia newspapers between 1740 and 1776. Instruction was offered in Latin, Greek, mathematics, surveying, navigation, accounting, bookkeeping, science, English, and contemporary foreign languages.12

In this private market of education, incompetent and inefficient teachers did not last since they were not subsidized by the State nor protected by a guild or union. The teachers who prospered were those who satisfied their customers by providing good services.

In the Southern colonies, government had no role in education. The Southern colonies’ educational needs were taken care of by using private tutors, or by sending their sons north or across the Atlantic. Another educational institution that developed in colonial America was the philosophical society. One of the most famous of
these was Franklin’s Junto, where men would gather to read and discuss papers they had written on all sorts of topics and issues. Another society was called The Literary Republic. This society opened in the bookbindery of George Rineholt in 1764 in Philadelphia. Here, artisans, tradesmen, and common laborers met to discuss logic, jurisprudence, religion, science, and moral philosophy.

When the delegates gathered in Philadelphia to write a Constitution for the new nation, education was considered to be outside the jurisdiction of the civil government, particularly the national government. Madison, in his notes on the Convention, recorded that there was some talk of giving the Federal legislature the power to establish a national university at the future capital. But the proposal was easily defeated.

A principle had been established in America that was not to be deviated from until the mid-19th century. The school system remained largely private and unorganized until the 1840s. Then the public school movement got started and grew throughout the 1900s.

**PURPOSE OF THE PUBLIC SCHOOL**

Horace Mann is often referred to as the Father of the Common School. He was elected to act as Secretary of the newly-created Massachusetts Board of Education in 1837 and from that position worked for a system of Common Schools, where children could receive a basic education funded by local taxes. Mann’s commitment to the Common School sprang from his belief that political stability and social harmony depended on education. In essence, it was believed that universal public education was the best way to turn the nation’s unruly children into disciplined, judicious republican citizens.

Most states implemented the factory model school when they established public education. The origin of factory model education and schools dates back to the Prussian education system introduced in the late 18th century by Frederick the Great. Horace Mann brought the system to national attention in the U.S. after he visited Prussia in 1843. The key characteristics of factory model education are top-down management, separation from the community, centralized planning, standardization, outcomes designed to meet societal needs, and efficiency in producing results, the same key characteristics of public education today. Factory model schools employ direct instruction methods where a teacher drills information into the class in assembly line fashion and the students learn by rote copying and memorization. Students are tested on the information presented to them.

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**WHY COMPULSORY?**

After creating free public schools, the next task was to ensure the schools were occupied. By 1900, 34 states had compulsory schooling laws. Thirty states with compulsory schooling laws required attendance until age 14 (or higher). By 1918, every state required students to complete elementary school.

Many compulsory education mandates came about during the fight to abolish child labor. The efforts of the compulsion crusaders were often undertaken in the name of a kind of aggressive socializing or Americanizing of the nation’s children, or the children of immigrants in the case of the latter, just as had been the crusaders for public schools originally.

Industrialization in the 1880s through 1910s drew workers from farms and home workshops into urban areas and factory work. Children worked to help support the family. American children worked in large numbers in
mines, glass factories, textiles, agriculture, canneries, and many other areas where unskilled labor was called for.

Union organizing and child labor reform were often intertwined, and common initiatives were conducted by organizations led by working women and middle class consumers, such as state Consumers’ Leagues and Working Women’s Societies. These organizations generated the National Consumers’ League in 1899 and the National Child Labor Committee in 1904, which shared goals of challenging child labor through anti-sweatshop campaigns and labeling programs. The National Child Labor Committee’s work to end child labor was combined with efforts to provide free, compulsory education for all children, and culminated in the passage of the Fair Labor Standards Act in 1938, which set federal standards for child labor.

IMMIGRATION: THE CATHOLICS

Immigration to the United States jumped from a low of 3.5 million in the 1890s to a high of 9 million in the first decade of the new century. Immigrants from northern and western Europe continued coming as they had for three centuries, but after the 1880s, immigrants increasingly came from eastern and southern European countries. By 1910, eastern and southern Europeans made up 70 percent of the immigrants entering the country.

Between 1900 and 1915, more than 15 million immigrants arrived in the United States, about equal to the number of immigrants who had arrived in the previous 40 years combined. In 1910, three-fourths of New York City’s population was either immigrants or first generation Americans. The majority of the newcomers after 1900 came from non-English speaking European countries. Between 1850 and 1930, about 5 million Germans migrated to the United States, peaking between 1881 and 1885.

Before 1845 most immigrants to the United States were Protestants. In 1845, Irish Catholics began arriving in large numbers, largely driven by the Great Potato Famine. The Irish Catholics were primarily unskilled workers who went to the emerging textile mill towns of the Northeast and became longshoremen in the growing Atlantic and gulf port cities. German Catholics also migrated to the US heavily between 1850 and 1910. Many of the German Catholics headed to farms, especially in the Midwest (with some to Texas), while a large number became craftsmen in urban areas.

Upon arriving in the US, Catholics saw the Protestant dominance and chose to organize schools to reflect Catholic teachings. The Protestant response to these schools was a fear that Catholicism was going to take over altogether, so Protestants strove to limit the influence of the Catholics through what are known as the Blaine Amendments, a series of state amendments forbidding tax money to be used to fund parochial schools.

This attitude toward immigrants fit well with the mission of public school proponents. Educators such as Ellwood Cubberley saw public education as a powerful force for literacy, democracy, and equal opportunity, and as a basis for higher education and advanced research institutions. Cubberley and social engineering theorists promoted the system as a way to industrialize the educational process as well as a tool for social engineering. In Public School Administration (1916), he described “schools as, in a sense, factories in which the raw products (children) are to be shaped and fashioned into products to meet the various demands of life.” Cubberley wrote that a school’s role is “to break up these groups or settlements, to assimilate and amalgamate these people as part of our American race, and to implant in their children so far as can be done, the

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Anglo-Saxon conception of righteousness, law and order and popular government.”

President Ulysses S. Grant (1869–77) in a speech in 1875 to a veterans’ meeting, called for a Constitutional amendment that would mandate free public schools and prohibit the use of public money for sectarian schools. He called for the defense of public education “unmixed with sectarian, pagan or atheistical dogmas.” Grant declared that “Church and State” should be “forever separate.” Religion, he said, should be left to families, churches, and private schools devoid of public funds.

Much of the support for public schools could be referred to as special interest legislation. Unions, unskilled labor, and others who competed with or were undercut by child labor joined forces with people who saw public education as a way to create a better society. People who wanted to maintain a Protestant dominance pushed for common schools and the Blaine Amendments.

Education makes people more virtuous. This is the claim of the Manns and Cubberleys who wanted to use publicly controlled education to ensure the virtue of the masses. A form of this argument holds that uneducated people are particularly likely to become criminals, justifying government schooling as a form of crime control.

John Stuart Mill argued that government schooling is necessary because parents, being themselves inadequately educated, are incompetent to choose schooling for their children. “The uncultivated cannot be competent judges of cultivation.” Government schools will teach what the state wants children to learn instead of what their parents want them to learn, but if parents are ignorant, then the state has a better view of what is important.

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In a private system, children will be taught what their parents want them to know. In a government system, children will be taught what the state wants them to know. So either parents are ignorant or the state wants to indoctrinate children. The government system provides an opportunity for the state to indoctrinate children in beliefs that are not in their interest, or their parents’ interest, for them to hold. In other words, government schooling is a mechanism by which the state lowers the cost of controlling the population.
CHAPTER 3: PERFORMANCE

Since the beginning of the public school movement, education has been defined as the passing of a test. Initially tests were based on individual classrooms or schools and the testing form was oral. But from the time of the initial public school movement people were looking for better ways to assess students and schools, wanting some metric that would enable cross school comparisons and eventually cross country comparisons. This was a testing era; IQ tests were being developed by Alfred Binet among others. This was also an era in which mathematical statistics and computation became widely used in various disciplines.

The first widely adopted standardized school tests were designed to measure ability or IQ not achievement. The Army Alpha and Beta Tests were developed during World War I to sort soldiers by their mental abilities. These tests became a model for the schools. The first test designed just for education, the College Entrance Examination Board — later renamed the Scholastic Aptitude Test, or SAT — began in 1899.

Although standardization of tests across the country was the objective of education reformers, the role of the federal government remained small until the 1960s. Although the promoters of the Department of Education were hoping for a strong federal presence in school systems, the agency was more narrowly focused on gathering and disseminating educational data.

The federal presence in education began with the National Assessment of Educational Progress in the early 1960s. The first national assessments were carried out in 1969. The initial funding for the assessment project came from the Carnegie Foundation. The federal government provided $372,358 in 1968, to which Carnegie added $1 million; in 1969 the federal contribution rose to $1 million and the Carnegie and Ford foundations gave $910,000. The following year USOE furnished $2.4 million and Carnegie made its last contribution of $350,000. In 1972 the federal government provided the entire $4.5 million. Within four years, the funding for NAEP had shifted entirely from private sources to the federal government.

NAEP: A COMMON YARDSTICK

The National Assessment of Educational Progress (NAEP), from the Department of Education, provided the standardization sought by public school enthusiasts. NAEP assessments are administered uniformly using the same sets of test booklets across the nation. Mathematics results are available for 11 assessments dating back to 1973. Reading results are available for 12 assessments dating back to 1971. The set of reading passages and questions included in the trend assessments have been kept essentially the same since 1984. The increase in federal control continues with each educational act. The Every Student Succeeds Act, or ESSA, requires states to test 95 percent of students or risk losing federal funding. The law was passed in 2016 to replace No Child Left Behind.

RESEARCH: WHAT FACTORS MATTER?

Student scores on a variety of achievement tests, including the NAEP, dropped sharply in the late 1960s, continued to decline through the 1980s and have hardly changed since. The decline challenged widely accepted

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educational theories of why school performance is so poor, such as increasing poverty, greater family instability, larger class size, and insufficient spending.

**FUNDING**

The poor achievement results cannot be blamed on inadequate spending. Between 1960 and 1995, annual per pupil spending in the United States rose from $2,122 to an average of $7,397 per K–12 student and it has continued rising since. Today, even though per student spending in the United States is the highest in the world, the academic achievement of its fourth graders is just above average, its eighth graders are below average, and twelfth-grade achievement is consistently among the lowest of the countries studied. The performance of U.S. students has been essentially stagnant across all subjects since the federal government began collecting data around 1970, despite a near tripling of the inflation-adjusted cost of putting a child through the K–12 system.

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Achievement is also uncorrelated with state spending. Although per pupil expenditures vary widely from state to state, no strong systematic relationship between spending and overall achievement exists.28

**THE CLASS SIZE DEBATE**

In conjunction with the demands for increased spending on education, in recent years there has been a movement across the country to reduce class sizes in public schools. Currently, well over half the states have class-size reduction programs for their public schools. And the federal government provided $2.6 billion in 1999 to states and school districts to hire more teachers and reduce class sizes. And achievement fell even though the average U.S. class size shrank from 27 in 1955 to 16 in 2011.29

Reducing class size is an appealing and visible way for states and public schools to show that they are attempting to improve the quality of education. But there is no evidence that the quality of education is generally improved by having smaller classes. A consistent finding from the research is that smaller class size has a positive impact on the achievement of students only in the initial years of schooling, and that some students, particularly lower achieving and disadvantaged students, benefit more than others. But the effect on these is small and the evidence for the effect of class size on achievement is negligible beyond these first few years.30

Reducing class size is expensive. It requires more teachers and more classrooms. But simply reducing the size of classes by hiring more teachers does little to improve educational performance and may have other negative effects. In addition to high costs, there may not be enough quality teachers to put in the additional classrooms. When California reduced class sizes in 1996, the state found that it did not have enough veteran teachers or classrooms to meet the challenge. Schools were forced to hire new teachers and add portable classrooms to accommodate the state mandate. Schools faced a dilemma: Was it really better to have smaller classes with an inexperienced teacher or larger classes with experienced teachers?31

The typical effect of smaller classes on achievement could be considered “small” or even “tiny.”32 Further, the OECD has identified that high-income countries that prioritize the quality of teachers over smaller classes tend to show better performance.33
TEACHERS

Research consistently shows that the largest source of variation in student learning is attributable to differences in student abilities and attitudes. Other than the students themselves, factors to do with teachers and teaching seem to be the most important influences on student learning. For example, research suggests that teachers at the top of the quality distribution can get up to a year’s worth of additional learning from students, compared to those who are at the bottom of the quality distribution (Hanushek and Rivkin, 2006). Chetty, et al., (2011) find that students assigned to high quality teachers (determined by test score-based value-add measures) are more likely to attend college and earn higher salaries, and are less likely to have children as teenagers.

TEACHER PREPARATION

While many teachers are dedicated, hard-working individuals who care about their students, not all teachers are well trained or used appropriately in teaching assignments. Moreover, the independence of teachers is severely limited, which reduces the incentive and ability to innovate and attempt to improve student outcomes. There are many reasons why elementary and secondary classrooms may not be staffed by competent teachers. The depth, breadth, and rigor of college or university teacher preparation programs and state certification standards in the United States have long been the target of critics. Prospective teachers may not have been required to have completed sufficient course work in the subject matter of their field. In many states it is necessary to obtain a bachelor’s degree in education to get a teaching license. Elementary school teaching requires a degree in elementary education. Secondary school teaching requires an education degree with specialty. The curriculum for a secondary education degree can vary depending on the college from which the degree is obtained. For instance, a secondary education degree with a specialization in biological sciences from an education college might require a minimum of three science classes while a math education degree from a liberal arts college requires at least six math classes.

TEACHING ASSIGNMENTS

A teacher may be competently trained in a specific subject, say math, but then not teach math classes. A common practice of middle school and high school administrations is to assign otherwise qualified teachers to teach classes in subjects that do not match their fields of training or certification. School staffing decisions usually follow a top-down command model. These decisions are the prerogative of school administrators; teachers typically have little say over their assignments. Administrators report that assigning teachers to teach out of their fields is often more convenient, less expensive, and less time consuming than ensuring that teachers are teaching in their fields. Table 1 summarizes the utilization of teachers in math, English and social studies. The utilization is clearly inefficient with sometimes as few as 10 percent of teachers assigned to their principal specialty. There has been very little research dedicated to the assignment of teachers within a school. What has been done focuses on the assignment to inner city versus suburb or to lower achieving students. But it is clear from Table 1 that teachers are not assigned to where they have a training comparative advantage.

TEACHER TURNOVER

Every year, U.S. schools hire more than 200,000 new teachers for that first day of class. About 10 percent quit before entering the second year of teaching. Even those who make it beyond the first year aren’t likely to stay long: about 30 percent of new teachers flee the profession after just three years and more than 45 percent leave after five. At least 15 percent of K–12 teachers either switch schools...
| Percent of elementary teachers with main assignment in elementary ed with a degree in elementary ed | 75.1 |
| Percent of secondary teachers with an assignment in English with a degree in English | 64.0 |
| Percent of secondary teachers with an assignment in Math with a degree in Math | 60.2 |
| Percent of secondary teachers with an assignment in Science with a degree in Science | 69.2 |
| Percent of secondary teachers with an assignment in Social Studies with a degree in Social Studies | 73.9 |
| Percent of secondary teachers who taught at least one class in English with a degree in English | 54.2 |
| Percent of secondary teachers who taught at least one class in Math with a degree in Math | 49.2 |
| Percent of secondary teachers who taught at least one class in Science with a degree in Science | 60.5 |
| Percent of secondary teachers who taught at least one class in Social Studies with a degree in Social Studies | 61.3 |
| Percent of English classes taught by teacher with a degree in English | 61.1 |
| Percent of Math classes taught by teacher with a degree in Math | 57.9 |
| Percent of Science classes taught by teacher with a degree in Science | 66.9 |
| Percent of Social Studies classes taught by teacher with a degree in Social Sciences | 70.2 |
| Percent of English students taught by teacher with a major in English | 62.9 |
| Percent of Math students taught by teacher with a major in Math | 59.1 |
| Percent of Science students taught by teacher with a major in Science | 67.4 |
| Percent of Social Studies students taught by teacher with a major in Social Studies | 71.8 |
| Percent of elementary teachers with main assignment in elementary ed without a major/minor or certification in elementary ed | 3.0 |
| Percent of secondary teachers with an assignment in English without a major/minor or certification in English | 5.9 |
| Percent of secondary teachers with an assignment in Math without a major/minor or certification in Math | 9.4 |
| Percent of secondary teachers with an assignment in Science without a major/minor or certification in Science | 6.4 |
| Percent of secondary teachers who taught at least one class in English without a major/minor or certification in English | 20.2 |
| Percent of secondary teachers who taught at least one class in Science without a major/minor or certification in Science | 16.3 |
| Percent of secondary teachers who taught at least one class in Social Studies without a major/minor or certification in Social Studies | 16.9 |
| Percent of English Classes taught by teacher without a major/minor or certification in English | 13.4 |
| Percent of Math Classes taught by teacher without a major/minor or certification in Math | 16.5 |
| Percent of Science Classes taught by teacher without a major/minor or certification in Science | 10.6 |
| Percent of Social Studies Classes taught by teacher without a major/minor or certification in Social Studies | 10.4 |
| Percent of English students taught by teacher without a major/minor or certification in English | 11.1 |
| Percent of Math students taught by teacher without a major/minor or certification in Math | 13.8 |
| Percent of Science students taught by teacher without a major/minor or certification in Science | 9.3 |
| Percent of Social Studies students taught by teacher without a major/minor or certification in Social Studies | 0.7 |

**NOTE:** Tables to NCES 2002-603. 1999-2000 from Schools and Staffing Survey (SASS). Public Schools only.
or leave the profession every year and the cost to school districts nationwide is an estimated $5.8 billion. This is about 4 percent higher than other professions.

Mentoring, management, and support are important for new teachers. New teachers who receive no induction are twice as likely to leave teaching after their first year as those who receive induction, such as having a mentor from the same field, collaborating regularly with other teachers in the same subject, and being part of an external network of teachers. While mentoring and induction programs for new teachers are a mainstay in most states, not all programs are created equal. Of the 28 states that have state-level teacher-induction programs, only 10 actually provide funding for such programs, as well as mandating them, according to Recruiting New Teachers (RNT).

Anecdotally, teachers appear to grow increasingly frustrated with having little to no say about their classrooms—what and how they teach, where resources are allocated, how much time is devoted to various activities, etc. They feel they are merely a cog in a wheel, unable to really help students. One teacher said, “of the big reasons I quit was sort of intangible but it’s very real: It’s just a lack of respect. Teachers in schools do not call the shots. They have very little say. They’re told what to do; it’s a very disempowered line of work.”

**DO THE MEASURES MEASURE ANYTHING?**

Test scores show that the ability to answer questions correctly has not improved over several decades in the United States. They also show that relative to many other countries, students in the U.S. do poorly. Moreover, research has not identified a cause or causes of this problem.

But, having devoted a great deal of time and space to showing how the achievement of American students is mediocre at best, we are left with the apparently contrary question of why the U.S. produces more patents than any other country, why there are more innovations, more entrepreneurs, and more economic wealth and growth than in any other country. Part of the issue might be that the international comparison tests are faulty or don’t measure those factors leading to innovation and creativity. The international tests measure the extent to which an education system effectively transmits prescribed content. In this regard, the U.S. education system is a failure and has been for a long time. But the successful transmission of prescribed content may contribute very little to the development of creative and entrepreneurial individual talents and in fact may damage the creative and entrepreneurial spirit. Thus high test scores of a nation can come at the cost of entrepreneurial and creative capacity.

In an attempt to meet this argument, the Organization for Economic Cooperation and Development (OECD) carried out an assessment designed to measure students’ creative problem solving skills, devoid of curricular knowledge and conventional academic skills.

**High test scores of a nation can come at the cost of entrepreneurial and creative capacity.**

Two findings are important. First, there turns out to be a strong positive correlation between creative problem-solving performance and straightforward, traditional, familiar math, science, and reading scores. Rather than a tradeoff, subject scores seem to buttress problem-solving skills—or at least to originate from the same source, sort of like twins. This test does not answer why the United States students score low in standard Program for International Student Assessment (PISA) and mediocre in the creative PISA and yet the United States attracts the most creative from other countries and produces the most innovation. Could it be that the United States’ higher education has created a competitive environment where meritocracy prevails and that this leads to creativity and innovations? Or, could it be that the US system rewards creativity more than more collectivist systems and this attracts entrepreneurs and leads to more innovation?
CHAPTER 4: CHOICE

According to test scores, education in the United States is performing very poorly. No matter the amount of money poured into public education, achievement scores decline or are stagnant. This is the nature of an education system based on central planning. Just think what would occur if the auto market were run like the education market. A one size fits all philosophy would mean no differentiation among cars and trucks or among brands of cars. Testing of safety and other aspects of the market would be standardized. Automakers would tweak this aspect or that of the car to meet testing standards. But no improvement would take place. There would be no innovation, only normalization. The auto industry in the US would be one where the same auto was made year after year after year.

Why isn’t the auto market like the education market? Because of competition and profit and loss. Real testing takes place in the market place not in a classroom. An automaker that does not produce what consumers want will not remain in business. It wouldn’t matter how often the auto marketplace is examined by a federal government agency, without competition and profit and loss, improvement would not occur. Success requires choice in the auto market and in the education market, but choice depends on competition not central planning.

There is a little choice in some parts of public education because of the existence of charter schools but no real competition. A charter school is a school that receives government funding but operates independently of the established public school system in which it is located. Because they receive public funding the charters are open to all children, do not charge tuition, and do not have special entrance requirements. Charter schools may differentiate their offerings but still must carry out assessment along with the normal public schools.

The term “charter” may have originated in the 1970s when New England educator Ray Budde suggested that small groups of teachers be given contracts or “charters” by their local school boards to explore new approaches. Albert Shanker, former president of the American Federation of Teachers, then publicized the idea, suggesting that local boards could charter an entire school with union and teacher approval to serve as labs for ideas. In 1991, Minnesota passed the first charter school law, with California following suit in 1992. By 1995, 19 states had signed laws allowing for the creation of charter schools, and by 2015 that number increased to 42 states, Puerto Rico, and the District of Columbia.

**Charter schools may differentiate their offerings but still must carry out assessment along with the normal public schools.**

A wide array of charter school types exists. Charter schools may be specialized such as in art or music, though many simply serve mainstream populations with a distinct academic approach. Charter schools exist in rural, urban, and suburban settings and online charter schools provide distance-learning opportunities.

While the actual degree of autonomy that charter schools enjoy differs from place to place, they typically have more freedom than public schools to structure their operations and allocate resources to address the needs of their students. Yet we do not see dramatic improvement among existing charter schools over time nor dramatic differences, on average, between charters and public schools. That is because charter schools provide choice but only in a narrow sense are they competitive – since students who enter a charter school do not enter a public school this might put some competitive pressure on the public schools.

How do public and charter schools compare in terms of achievement? Most studies have found either
that charter schools slightly outperform public schools or there is very little difference between the two.\textsuperscript{40} Patrick J. Wolf, M. Danish Shakeel, and Kaitlin P. Anderson concluded that, on average, charter schools have a statistically significant positive impact on student performance on reading and math tests.\textsuperscript{41} When focusing on inner city schools there seems to be little doubt that charters do a better job than public schools.\textsuperscript{42} On average, students attending charter schools have eight additional days of learning in reading and the same days of learning in math per year compared to public schools. Charter schools on average may provide better achievement scores than public schools, but the difference is not substantial.

Why don’t charter schools widely outperform public schools? Consider an analogy with a supermarket where a consumer enters to purchase a quart of milk. There are a variety of containers and brands as well as different ingredients in the milk. Also, each container has a price. The consumer can quickly discern which seems the best value—highest quality per dollar. If, after having purchased the milk, the milk does not match what the consumer expected, the consumer can switch brands or types of milk or even switch supermarkets. This cannot happen in education even with the choice offered by charter schools. There are no prices and no profits and losses that guide the allocation of resources. There is very little incentive for participants to innovate and perform better.

\textbf{FOR-PROFIT PRIVATE SCHOOLS}

For-profits have incentives that public entities and nonprofits lack. At the most basic level, unlike publicly operated entities, for-profits that do not provide customers with something they are willing to buy will go out of business. Indeed, a focus on the bottom line means for-profits are inclined to move nimbly and reallocate resources when circumstances warrant — all through an incentive to serve the customer, innovate, and boost productivity. As they aim to deliver goods and services, for-profits operate under the self-interested, watchful eyes of investors or owners, which lends a healthy discipline around performance and productivity. It also means that for-profits have an incentive to reduce costs, which public or nonprofit providers do not.\textsuperscript{43} In short, in the absence of prices and profits and losses, there is no way that resources will be allocated to their highest valued uses and consumers will get the greatest value at the lowest possible price. When there are no profits or losses, it becomes an arbitrary individual administrator who allocates resources. In an educational institution, resources are not allocated to benefit students but to benefit the administrator’s objectives. For instance, as noted above, an administrator wants to minimize his own work and thus often allocates teachers to classrooms not according to their specialty but by the administrator’s convenience.\textsuperscript{44}

\textbf{For-profits have an incentive to reduce costs, which public or nonprofit providers do not.}

The taxi cab industry provides a good case study of the changes that occur when for-profit competition is allowed. Under government regulation and control the cab companies had no incentive to innovate. Without a motive to innovate, the cab companies enjoyed an almost century-long reign as their services got progressively worse. Inefficiency, inconvenience, and unpleasantness became adjectives commonly associated with the typical cab experience.

When the smartphone was brought to bear on the issue via Uber and Lyft, customers no longer had to stand outside attempting to hail a cab while fighting other metropolitan dwellers for a ride. Innovation, competition, improved service and quality, and reduced costs resulted.

With examples such as the cab industry, it is surprising how few people have argued for the replacement of
public schools by private schools. Albert Shanker, the first head of the American Federation of Teachers, was one of the few. He said back in 1989:

“It’s time to admit that public education operates like a planned economy, a bureaucratic system in which everybody’s role is spelled out in advance and there are few incentives for innovation and productivity. It’s no surprise that our school system doesn’t improve: it more resembles the communist economy than our own market economy. Indeed, we have in each city in the United States an essentially centralized, monopoly, uncompetitive, one-size-fits-all school system that has been stagnating for more than a century.”

Many people have criticized the idea of replacing public with private education. Diane Ravitch captures many of the arguments with the simple statement that:

“I believe that privatizing our public schools is a risky and dangerous project. I believe it will hurt children, shatter communities, and damage our society.”

There are many who feel the same as Diane Ravitch. But why would private schools hurt children and shatter communities, etc.? Private for-profit markets do not harm participants in any other market and few claim they do.

There is solid evidence that for-profit private education will provide the necessary information and lead to the best outcomes. In the least developed areas of the world private schools are springing up as an alternative to poor state provision. This is not the case in the United States, even though the for-profit education market is approximately $70 billion, or nearly 10 percent of the $740 billion education market. There are two types of for-profit schools in the U.S. The first kind is a school that receives a fee for each student it enrolls. The second kind is an educational management organization (EMO) that contracts with school districts and charter schools to operate public schools and receive public funds. EMOS have limited incentives to foster innovation and improve product. If you receive a set amount of public funds, how do you increase profits? You can lower cost. That is about the limit; you cannot compete for additional students; you cannot change prices. Private for-profit schools would maximize profits by operating so as to attract students and run as efficiently as possible. Only if the education provided is what the customers want will the school be successful. Education must serve consumers, not administrators or teacher unions.

**EMPIRICAL EVIDENCE ON THE CHOICE BETWEEN PUBLIC AND PRIVATE SCHOOLS IN THE U.S.**

The schooling offered and the tuition charged by private schools in the United States varies tremendously. Approximately 90 percent of private school students attend schools affiliated with religious groups. The remaining 10 percent of private school students attend college-preparatory schools. Few of these are for-profit entities.

More than 65 percent of U.S. private school students attend a school affiliated with the Catholic Church, although these vary from modest parochial elementary schools to elite, college-preparatory schools. The modal private school student in the United States attends a Catholic school that charges a tuition of about $1,000 (elementary school) or $2,250 (secondary school) per year.

Do students attending private schools outperform students attending public schools? Research generally supports the idea that students are better off attending private schools. For instance, one study found that students who attended private high schools had significantly higher earnings later in life than students who attended public high schools.
In a survey of economic research on vouchers, Epple, et al., found that the empirical research on small scale programs does not suggest that awarding students a voucher is a systematically reliable way to improve educational outcomes. They also found that competition induced by vouchers leads public schools to improve.

Results from the 2003 NAEP assessments in reading and mathematics for grades four and eight show that the average private school mean score was higher than the average public school mean score, and the difference was statistically significant. However, with student characteristics such as gender and race/ethnicity taken into account, the inclusion of school characteristics (e.g., teacher experience, type of school location, school size) had little impact on the estimate of the average difference between the two types of schools. Yet, the results did provide evidence that more private school students went on to earn a bachelor’s degree than did public school students.

All findings showing private schools outperform public schools have been criticized on the basis that there are extenuating factors that must be taken into account. Lubienski and Lubienski (2005) argue that when all proper adjustments are made, public schools outperform private schools.

Evidence indicates that education at the public schools is improved, even if only a small amount, when there are charter schools available. And vouchers force public schools to improve. But these effects are small. This is because these cases are not really competition. True competition cannot occur without prices and profits and losses. Thus, to improve educational achievement it would be necessary to move from public schools to private for-profit schools.

It seems so obvious and relatively simple to improve the education system; move from centrally planned schools (public schools) to private for-profit schools.

THE POSITIVE EXTERNALITY ARGUMENT

Economists attempted to justify public support for education in terms of the efficiency of resource allocation. They called education a positive externality, arguing that when individuals pay for their own education, they benefit from the education but so does society. Since society is not paying any part of that person’s education, then the price of that person’s education is higher than it should be and since the price is higher, the quantity purchased is lower.

Because benefits and costs are not going to the individuals who should receive them, there are no prices that will allocate the resources appropriately. This is referred to as a market failure because the market fails to deliver the appropriate quantity and costs. When externalities for goods exist, then economists deem government intervention necessary to right the market failure. Examples include lighthouses, roads, bridges, national defense, education, environmental quality, and on and on. But the arguments proclaiming positive externalities tend to be specious. Like with the lighthouse, where the argument of positive externalities was assumed by nearly all economists until Ronald Coase demonstrated there was no positive externality associated with building a lighthouse.

It is arguable whether education has ever created positive externalities, but with the literacy rate in the developed countries today being so high, surely there is no positive externality in additional literacy. Moreover, technology has replaced the need for calculation skills. Additional education does not lead to additional literacy or ability to read and technology reduces the need for acquiring simple math skills.
The externalities arguments for education are not facts or technological developments. In other words, there are no inherent properties of a good or service producing external effects. It is the political process that is used to determine what is to be considered to be an externality. Economists’ arguments that externalities are market failures and require government intervention is specious.

**SOCIAL JUSTICE**

The social justice argument of unfairness arises when the elimination of public education is suggested. It is argued that some students would be left out if the system was private. In reality, it is unlikely people would be left out. Some might have to select lower cost or a different type of education product much as some people have to forgo a Lexus but can drive a Hyundai. Moreover, some of the savings to the states could be used to develop programs that would offer a safety net for schools or programs serving the disabled, non-English speaking, and other disadvantaged students. Since these are the most expensive students to educate, the safety net would take the burden off the private schools.

So these arguments of “market failure” or “unfairness” should not carry any weight. Most calls for government intervention into markets are political. Murray N. Rothbard’s Education: Free and Compulsory explains that the true origin and purpose of public education is not so much education as we think of it, but indoctrination in the civic religion. This explains why the civic elite is so suspicious of homeschooling and private schooling: it’s not fear of low test scores that is driving this, but the worry that these kids aren’t learning the values that the state considers important.

School buildings could be sold or leased to charters or to third parties. The state could cease building construction and maintenance. And since property taxation and school funding are closely linked in the United States, with nearly half of all property tax revenue used for public elementary and secondary education, property taxes could be severely decreased. Because of the huge increase in expenditures on education along with more and more increased voter approval on bonding and override issues, property tax rates are high. Eliminating property tax funding of schools would allow property tax reductions of at least 50 percent.

**Eliminating property tax funding of schools would allow property tax reductions of at least 50 percent.**

**THE PROCESS**

There are many ways the current public education system in the United States could be converted to private for-profit schools. One approach would be to convert existing public schools to charter schools in one big step, as New Zealand did, and then allow the charters to become private for-profit schools. That could most easily be done in an isolated city or in a state and then performance would require the rest of the country follow suit. The switch would be relatively painless.

New Orleans converted public to charter schools following Katrina. Today, 93 percent of New Orleans public school children attend charter schools. No other urban school system in the nation has gone so far in rethinking how public education can be delivered to at-risk students. This transition from government-operated to government-regulated schooling has produced significant gains in academic achievement although the evidence is not overwhelming. Research demonstrates that New Orleans charter schools outperform similarly situated schools across the state of Louisiana but do not outperform better positioned schools. High school graduation rates in New Orleans have increased by nearly 20 percentage points, American College Testing (ACT) scores are up, and, on most metrics, New Orleans is rapidly approaching state averages.
A switch from public schools to charter schools would introduce choice immediately. Students could attend any school at any location desired. The choice would not bring with it competition and the profit and loss test. For this, the charter schools would need to be converted to private for-profit schools.

A deadline could be placed on public funding so that the charters would prepare for becoming private for-profit entities. For instance, if the deadline was four years, then state funding might decline at an increasing rate of 10% after first year, 20% more after second year, 50% more after third year, and then allocate none after the fourth year.

Some of the savings could be used to develop a program that would offer a safety net for schools or programs serving the disabled, non-English speaking, and other disadvantaged students. Since these are the most expensive students to educate, the safety net would take the burden off the charter schools. The state could create separate charters to serve these students or could subsidize their education in the existing schools. Within four years of the conversion to charters, the only funds the state would provide to education would be for this safety net. It would no longer provide money for the operations or building construction of the schools.

With a conversion to charter schools, there would be no need for districts. All could be eliminated and all district staff reassigned or released. The district buildings and other assets could be sold or leased. All funds provided would go to individual schools. There would be no state board or overseer who would manage funds.

The final step would be to privatize the schools by allowing profit and loss making. It sounds like a simple process, but with the political ramifications and transfers of rents it would be difficult. In theory, the move to privatize an industry is relatively straightforward. It was done in Margaret Thatcher’s Britain, in Ireland, New Zealand, and other countries, and it was done wholesale in the former Soviet Union.
CONCLUSIONS

Lessons on privatization can be taken from the Eastern European Countries and Russia in the 1990s. Upon the Soviet Union’s collapse, the successor government of the Russian Federation was forced to manage the huge and inefficient state enterprise sector inherited from the Soviet economy; a similar situation existed for all the Soviet Bloc countries. Before the “velvet revolution” of 1989, more than 96 percent of Czechoslovakia’s assets were state-owned. The country had one of the most state-dominated economies in the world. Virtually all prices were state-controlled, and small- and medium-sized firms were few and far between. Private initiative was nonexistent and limited to black-market activities. The Czech Republic’s mass privatization program included a distribution of ownership shares to Czech citizens by vouchers. The voucher privatization event involved the vast majority of adults and gave all citizens equal access to the vouchers. By obtaining shares, individuals gained assets they could use as collateral for acquiring financial capital.63

The transition from charter to private schools could be done using something like the Czech model. For instance, a corporate entity with shares of ownership could be created for each school or charter. Then portions of the shares could be given to the school personnel and the founders and the remaining shares could be sold at auction. With private for-profit education, schools would have the flexibility to innovate, to differentiate, to expand or grow or merge with others. There would be no “one size fits all.” Each customer (each parent and student) could seek the type of school they wanted at the price they wanted to pay.64

However, it is determined that a transition to private for-profit education is the only thing that will improve education. As Mises taught, central planning leads to poor outcomes, lack of achievement, inefficiency, and eventually collapse.
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16 David Brooks, “Schools for Wisdom,” October 16, 2015. http://www.nytimes.com/2015/10/16/opinion/schools-for-wisdom.html?_r=1. The factory model method also features depersonalization, strict hierarchy of authority, uniformity over innovation, process and procedure, and standardization of curriculum, testing, class sizes, time periods, and learning rates. This approach has been compared to Taylorism, F. W. Taylor’s business model for efficiency

17 http://www.loc.gov/pictures/collection/nclc/background.html


20 Note that the argument in support of public education depends on the assumption that government schools are better at dissipating ignorance than private ones.


22 http://www.daviddfriedman.com/Libertarian/Public%20Schools/Public_Schools_fn.html#fn4


25 The first group tests of intelligence, providing the prototypes of many that were to follow, intended to improve selection, placement, and training for specific occupations within the US Army during the First World War, constructed by a group of US psychologists under the leadership of Robert Mearys Yerkes (1876–1956), including Lewis Madison Terman (1877–1956), and applied to approximately 1,750,000

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29 Center for Education Statistics, https://nces.ed.gov/surveys/sass/tables/sass1112_2013314_t1s_007.asp

30 In “The Class Size Debate,” two eminent economists discussed the merits of smaller class sizes and the research methods used to measure the efficacy of this education reform measure. Alan Krueger (Princeton University) maintains that smaller class sizes can improve students’ performance and future earnings prospects. Erik Hanushek (Stanford University) argues that other policies besides class size reduction, such as improving teacher quality, are more important.


35 Demetas Kogrides, et al. (2012); Hamilton Lankford, et. al. (2002)


37 The Program for International Student Assessment (PISA) is an international assessment that measures 15-year-old students’ reading, mathematics, and science literacy every three years. It is the standard test used to compare performance of countries’ education systems. The PISA tests are controversial. https://www.washingtonpost.com/news/answer-sheet/wp/2015/03/24/the-tower-of-pisa-is-badly-leaning-an-argument-for-why-it-should-be-saved/; and https://www.theguardian.com/education/2014/may/06/oecd-pisa-tests-damaging-education-academics

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40 Two of the most widely cited charter studies are a 2009 and 2013 analysis of charters in 16 and 27 states respectively by the Center for Research on Education Outcomes (CREDO). According to economists Julian Betts and Emily Tang in their study, “The Effect of Charter Schools on Student Achievement: A Meta-Analysis of the Literature”, charter elementary schools on average outperform traditional public schools in both reading and math, and charter middle schools outperform in math. CRPE, Oct 2011, http://www.crpe.org/publications/effect-charter-schools-student-achievement-meta-analysis-literature


42 op. cit. CREDO


44 Diane Ravitch, Reign of Error, disagrees: “Some like charter schools, have potential if the profit motive were removed,…”

52  Epple, ibid.
54  Vicki Alger, p. 190, “PISA ofﬁcials have documented cases where schools that compete for students perform 15 points higher on average than schools that do not compete for students. Fully 72 percent of the 15 countries that performed as well or better than the United States had higher proportions of schools competing for students.”
60  Originally published in the April and July–August 1971 issues of The Individualist, and then revised and published by the Center for Independent Education in 1979. Then published by The Ludwig von Mises Institute. Copyright © 1999.
61  In any case the U.S. Department of Education would not be necessary, saving several billions of dollars every year.
63  There is the possibility of returning to a situation where the private sector provides the safety net. Prior to government becoming the main provider of “charitable” funds, welfare societies, mutual aid societies, and other voluntary organizations ensured that no one was left behind. David Beito, “From Mutual Aid to Welfare State,” Heritage, July 2000. http://www.heritage.org/research/lecture/from-mutual-aid-to-welfare-state