

Shanker's Comments

Begin on

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Phonetic
Spelling
of Proper
Names

TRANSCRIPT OF TAPE MADE AT
WHARTON SCHOOL ON SEPTEMBER 19, 1986

Tape 1
Side 1

HANK: -- And so what I have done is that I have out-

lined those six areas and suggested that in addition to the private goods aspect, these are areas that we are concerned with, are trying to give rationale and to show the relations between those concerns and education. That list is not complete. It is not meant to be rigorous, but it is meant to show that we have to go beyond just hyperbole on this and discuss concrete issues. And I try to get back to this later when I talk about some of the types of public good outputs and issues of privatization.

Now one of the problems that we face is that there may be overlap between some of the private and public goods and there may be divergence. And I would say that probably there is some of both, and this in itself creates an interesting area of debate and of concern because clearly people have values, have, you know, given trade-offs, given weightings, given conflicts among public and private goals and, even within public goals, trade-offs have to be made.

Well, how does this happen? Okay. Let's go back to the early common schools. I explained that there was an

historic tension between these two basic rights, the rights ^{to} to produce a democratic society and the social obligation to do that and the use of schooling as a mechanism, on the one side, and the right to provide the kind of influences and child-rearing that one deems fit for one's own children.

The common schools solved this in a fairly interesting way. What they did is they made school^{ing} compulsory and they put some structure on the nature of the schooling experience. But beyond that, there were a number of features that enabled various kinds of private choices or private goods choices, more specifically. Some of these are private choices, because, of course, some families could choose private schools and did choose private schools during this period.

But even among the so-called public schools or common schools, they were characterized by democratic localism, as they were democratic but democratic locally.

Now what did that mean? Well, it meant that they were locally governed, that they were largely locally financed; for all intents and purposes, you could say they were locally financed. And so the kind of schooling provided reflected, first of all, the wealth of the local area. There were vast differences in terms of the finances available for

education from area to area, poor populations in general having a lot less to spend for their schools than wealthy ones. I don't want to get into the question of what were the commercial ~~notables~~ that they could use because in the nineteenth century that was much rarer than today where you have some poor in wealthy school districts.

The content of the curriculum reflected generally religion, the dominant political practices and beliefs, ~~hiring~~ and these are well recognized in the literature on education in the nineteenth century. Often language -- go, for example, to Milwaukee, and you will find German students were in German-speaking schools ~~until~~ about 1920. So often the language instruction reflected the dominant ethnic group in that area.

You can find -- again, a lot of work has been done -- you could find Lutheran schools in Wisconsin, private schools that didn't look any different from public schools around New Bay. They hired teachers on the basis they were were Lutheran; they did uphold Lutheran practices; religious observances in schools were Lutheran, so on and so forth.

We know about segregation of races. Teachers could be ~~fired~~ ^{be fired} if they did not support the political views

of parents, so on and so forth.

Now the third alternative, of course, -- and that is one that is more predominant today -- was ^{7 boredom of speech} ~~freedom~~ of speech; so let me mention the ~~three~~ alternatives for getting kind of private goods you wanted to out of a school and going to a private school -- being in an area with other people like yourself and therefore being able to influence the practices of the schools so that they reflected the wishes of the local community, democratic localism and ^{wasn't quite} ~~not~~ really an important mechanism, I would say in the 19th Century, but certainly it is there.

The 20th Century -- I'm giving you two centuries of history in about ten minutes here -- was replete with legal and political challenges to ~~the~~ system.

First, there were controversies over the establishment of the right to satisfy compulsory requirements in private schools, and that was ultimately decided in a case in the 1920s in which it was deemed constitutionally satisfactory that people could satisfy the compulsory requirements by sending their children to private schools. But beyond this, there were very important social movements, using courts and legislatures, to try to make the schools more

uniform, more democratic, more open to equality, to what was perceived as equal protection under the law and so on. And these led to the prescription of religious practices, certainly to de jure segregation, the right to freedom of expression of teachers and students, qualified by the fact that neither one can really disturb the educational process, ^{you} ~~you~~ ^{had} freedom of expression within that particular stream. And then, as we all know, school finance equalization, programs for the disadvantaged, ^{HANDICAPPED} gender equalization and so on. And before this, under democratic localism, these things were left to the discretion of local entities. And so there were vast differences and, depending upon the community one lived in, if one felt comfortable in that community with those values, the schools would also feel comfortable generally.

So as we get to the latter part of the twentieth century, we start to see an emerging uniformity imposed on schools with a tremendous loss of some of the private goods that people had taken as a right, given the legitimacy of this overriding right of being able to influence the upbringing of their children.

Now I stop here and say I would like to recast the issues. Normally when people talk about privatization --

and certainly this is what came out yesterday -- privatization of education means vouchers or a mechanism to move production of education from the public sector to the private sector.

And what I have suggested is that that is not as useful a way of thinking about the problem as thinking about the problem in terms of looking at privatization as expanding the output of private goods in the schools, while still expressing a deep concern for the public goods output and particularly those that are broadly associated with the production of a democratic society.

Now this acknowledges that to a large degree public and private goods represent joint products of the educational production process and that virtually all schools produce both types of goods. If you take the least democratic private school, so to speak, you would probably find a few areas where we would say that is important in terms of public goods output. And if you were to take the most rigid public school with the least input of parents, students and all of that, you would still find that probably those schools do enhance the earnings' power in their students and by other kinds of private goods, so that I am going to start off saying that there is a spectrum and both

schools probably produce both types of goods to a greater or lesser extent.

But as soon as we cast the issue in this way, then the issue becomes one of maximizing social welfare. That is, given a set of resources, given various production possibilities, how does one organize education to maximize some social welfare function in which there are both public and private good arguments and both are important?

Now another way of looking at that in terms of privatization, specifically we could say: Can private goods be expanded without the loss of social goods or to the degree -- and this is my opinion -- that we can do a lot more even on the social goods' sides, particularly among disadvantaged in the society, can both types of goods be expanded? That is, are we nowhere near the production frontier or is that attributable to the way that we have organized education, presently organized education?

Okay. There are clearly two alternatives, two major alternatives for doing that. One is moving in the direction of the privatization as people have defined it, that is, increasing the private production of education. The other alternative is moving in the direction of trying

to provide additional private goods through the public sector, broadly called public choice models and certainly in the public choice tradition, within the tradition of that literature.

And so we can look at these two alternatives. Let me just examine some of the data quickly. They are in the paper. But one argument that might be made for using my social welfare function argument is that private schools are just more efficient than public schools, that perhaps one can regulate them, but in addition one gets the benefits of choice. One gets the benefits of competition, competitive efficiency, and we all know about that; even those who don't have much religion, at least they accept those arguments.

(Laughter.)

HANK: It seems to me that is a major argument. And so one thing is to look at the evidence. Now the evidence is often presented as if you look at certain schools, usually Catholic schools, that the costs are a small fraction of what the public schools are. E. G. West has made some statements. Heritage Foundation has come out with ~~tracts~~ making those statements. American Enterprise Institute

surprisingly has come out with that kind of flippant evidence.

But, of course, when one looks at the cost, one finds that there are two entirely different accounting schemes involved here. In the public sector, you have the public sector accounting scheme, which doesn't account for everything but it accounts for almost all of the direct inputs at market prices or one could call prices with vents built in because it's in the public sector. So people will say they are not market but they are above market, and that is a whole other issue.

But the important point is that the kinds of comparisons or tuition, for example, in Catholic schools tend to be very low, but they don't cover all the cost of the service by any means. The true costs are also borne by the community. They are borne by those people who play bingo. They are borne by those people who put money in the collection plate. That is a financing issue; that's not a cost issue. They are borne by the teaching nuns and brothers who have very low salaries and, if you look at the market value of services that they are providing with what they are receiving, there is a disparity. So we really don't have good evidence of cost differences once one takes those into

account.

Indeed, there is one thesis. Some of you know Ernie Bartell. Bartell wrote a piece under Muskie at Princeton in the middle 1960s on the cost and benefits of Catholic education, and he found it was extremely difficult to account for the cost. But what happens is once you do, the costs approach those of, let's say, comparable public schools.

The important point here is that there is not a lot of ^{compelling} evidence of real cost differences. And to further compound both the problem and the inappropriateness of these comparisons that we have seen, the product mixes are very, very different. Now let me just give one example. If you look at Catholic schools -- and we ^{have more data} on Catholic schools than any other group -- what you find is very few of them offer vocational education, that they are mostly more general in academic education as one might expect, and the provision of special education is almost non-existent. It turns out that those two services are very, very expensive, extremely expensive depending upon the type of student. Any handicapped student can cost from two to even ten times what a regular student costs. And in some school

districts in some of the cities they account for about 12 percent of all students.

Vocational students, whatever one thinks of vocational education, it's a lot more expensive and it depends upon the curriculum. Whether a school should provide it or not is another matter. But the point is that the existing data are very different product mixes, service mixes in the direction of much higher ~~Vending~~ costs one might say in the public sector where the private sector would choose the kind of students it services and, therefore, it does not provide these very costly services.

My conclusion is that there isn't a lot of evidence; if one just looks at productive efficiency on the cost side for the moment, there just isn't evidence of difference one way or the other.

Now in recent years there have also been comparisons of achievement, and those have gotten a lot of attention in part because newspaper reporters don't know the difference between a statistically significant finding and a significant finding. All the findings, whether one likes them or don't, are third degree small, as my expert, Harry Kahn, would say. It's his way of talking about things

aren't worth talking about. They're really not worth talking about.

(Laughter.)

HANK: If one looks at the longitudinal evidence from -- and this is from the Coleman debate, Coleman et al., or Goldberger, and Glen[?] Cain had been involved in that -- one finds, first of all, a lot of ~~methodological~~ ^{mythological} debate on this. Let me just mention two things: first, selection effects. It's true that you can control statistically for the race of student and for perceived family income or reported family income, but the question is in the inner city if you have blacks in a particular income class, which ones are deliberately and at great effort sending their children to private schools and which ones are just in the neighborhood school? That is, to what degree is there a selection effect evident in behavior, which is quite different than just random assignment as we want in experiments of people with the same characteristics to two types of interventions?

Another one is that Coleman assumes that the choice of studies is endogenous to the system. So, he assumes that if you look at high school kids in the public and private sector, it happens that most kids in the public

sector, a very large proportion, are in academic tracks. The remainder are pretty much in general tracks, a very few in vocational tracks.

In the public schools there are a large portion of vocational tracks and a larger portion, generally relatively small portions, in academic, and his point is, no, parents just send their kids to private or public school; the school decides what the child is going to study. That seems at odds with the decision model that I know in Palo Alto where parents with academic interests are likely to send their children to private schools because of an academic concern perhaps, that they believe that private schools are going to do better or the child is not doing well in public schools, as opposed to, gee, it doesn't matter what he studies. I mean, they are very concerned about whether their child is going to get into a good college, something of this sort. And the point is that once you weigh curricula that don't emphasize academic skills, vocational curricula in your student mix in the public schools, but not in the private schools where the students are studying the subjects you find in the exams, you pretty much accounted for all the difference that Coleman found.

That is the difference between assuming that tracking is exogenous versus endogenous to the model is enough to wipe out any difference without even going into Goldberger's concerns about selection effects and so on and so forth.

But let's take the largest effect now. They have done some longitudinal analyses because there is another wave for these data. These kids were sophomores when the first studies came out. When they were seniors, they tried to look at the test score gains. They are much smaller because that in itself partially controls for selection effects. But the largest is pretty much about one-tenth of a standard deviation, highly significant in large numbers of students in a statistical sense.

Well, is that significant in a social sense? Well, first of all, essentially what you are saying is that the average child in private school without solving this problem of selection effects is scoring about the fifty-second percentile where the average kid in a public school, again trying to control things but not fully having resolved this, is scoring at about the fiftieth percentile. And to me we have overlapped. The fact that 48 percent of public school students have higher achievement than the average

private school student, to me that is fairly remarkable given the way that the newspaper findings have sometimes been interpreted.

But the other thing is that, even this maximum effect of one-tenth of a sigma is pretty small. It's equivalent to about ten points on the SAT and I suspect that is not going to be the difference between going to Trenton State and to Princeton University.

It's one day a year additional employment out of 40 days. In the samples we are dealing with these are another study done by the NBR Group and they follow kids longitudinally the class of 1972 because we look at employment and earnings and earnings functions and so on. What we find is that this would account for about a day of additional employment a year out of 40 days on the average of unemployment, this kind of difference in achievement. And it would account for about a few pennies an hour, maybe three cents an hour in terms of earnings, using today's average earnings as opposed to the earnings between 1972 and 1976 in their study, but using their structural equations to estimate that relationship.

Now moving beyond the efficiency in the production

of private goods, let's go to the public goods. Basically, I have suggested that there are three models, three ways of looking at this. One model is implicit in Musgrave and at least in part of Friedman. Friedman is of a mixed mind on this, but it's the notion of minimum provision. It's the merited argument of Musgrave in which, yes, school will be produced in the private market but not enough because it's so meritorious.

It turns out that Musgrave's argument tends to be more a distributional argument than just the amount of good produced, but he never really spells it out. I guess it's somewhat surprising because he does say quite a bit about education.

Friedman, on the other hand, says something rather interesting. He does say that there is a minimum that is needed to satisfy neighborhood effects. He argues that -- and I have that quote from his article, which is quite a strong one -- he argues that -- I believe it's on page 27 that -- essentially what he says -- oh, yes, "A stable and democratic society" -- this is a quote -- "is impossible without a minimum degree of literacy and knowledge on the part of most citizens and without widespread acceptance of some common set of values". Now Friedman assumes that

that can be satisfied pretty much by some minimal amount of schooling. If you talk with him personally, as I have, he thinks that that is elementary school and anything beyond that, the marginal social benefit goes to zero almost immediately beyond elementary school, and the marginal social benefit beyond a very low expenditure. Friedman's voucher would allow parents to add on, according to their tastes, simply because the marginal social benefit of additional expenditure on schooling reaches zero very, very quickly after you have gotten a very minimum expenditure.

I asked him how much? He said, "Well, look, that's something we would out empirically, but anyway that's basically the way it works".

Okay. Beyond the minimum provision type model, there is what I call a joint product model where it's just a matter of manipulating the portions in terms of the outputs, the types of outputs and their proportions, and one just moves resources in one direction or another.

I have mentioned that some of the problems with that model are very high transaction costs. Indeed, I have written about a very specific voucher plan that was proposed in California in the late 1970s, and just looking at the

transaction costs implicit in that model, it turns out that it's a very, very costly social model. And so you need very large gains in terms of efficiency to compensate for that.

There are also other issues -- the danger of just moving this into a regulated industry, and I doubt whether there is anyone around here who would get excited about moving from public industry to a highly regulated industry and seeing that as being a major gain.

Let me move to the final one, which in some ways I think is the most problematic, and that is that the method of production, whether it is public or private, may itself be intrinsically tied to the output of at least certain social goods. Now what do I mean by that? Well, I give a very important example of schools and where we have empirical documentation that schools do make a difference in terms of political socialization. It is extremely important in a society where we come from very different backgrounds, ethnic groups, racial groups, income groups, the regionalism, et cetera, et cetera, that there is a process and a mechanism to resolve differences. That is, we may not all agree, but at least we have to agree on a

mechanism, on a discourse and on a way of resolving these differences so we can live together. That's essentially what democracy is all about. And the schools are an important part of that.

Now a major aspect of preparing ~~people~~ ^{indeed}, you cannot find another major institution that prepares people for that. And it doesn't come from the air. We are not born democrats. In fact, I would argue almost the opposite, but that's a human nature issue.

(Laughter.)

HANK: In any event, the empirical literature and just common sense would tell us is that exposing children to a diversity of viewpoints and discourse and ways of resolving those becomes a very, very important matter of inculcating the notion of democracy and participation at democracy.

Okay. Now, on the other hand, the market, one of the major advantages is that parents can choose the kind of school for their child. That school can reflect political, religious, philosophical values. Most schools in America, ~~there~~ are empirical studies of school choice. Most private schools are chosen not because of the academic

achievement but precisely for the reasons that I have just mentioned.

And so what you would do is set up some unrealistic expectation. I mentioned that I would find it very unrealistic for Catholic schools to debate the benefits and detriments of abortion, of white power schools to debate the issues of race, the fundamentalist evangelical schools to debate questions, a lot of questions, but certainly the question of creation or evolution. That is, the whole purpose of sending your children to those schools is not to expose them to the other viewpoint, but rather to give them pure doctrine, so that they get the same kind of values in the school that you are giving them in the home because those are true values and parents really believe in those values understandably.

Thus, what I am arguing is that the very appeal of the private market in satisfying private wants is going to undermine the production of certain public goods, public goods which are considered to be very important ones.

Now should private production be prohibited? That is, what I have said is very strong. And one implication is that it should be, and again I'm not going to talk about this as a constitutional issue because we have a whole bunch

of people in back rooms that decide that, but it's a policy issue. And my answer is it turns out that the present resolution is probably okay. And the reason is -- my wife is in public health and so I am constantly bombarded with epidemiological stuff, and given the spread of AIDS in the San Francisco Bay area, that becomes a fact of life too -- it turns out that the epidemiology analogy is a very interesting one.

As you know, when one person is immunized, there is a private benefit, but you also reduce by a very small amount, of course, the risk to susceptible persons who have not been immunized. Now logically you would say, "Gee, everybody has got to be immunized before you approach it". It turns out that you approach complete protection at values considerably below 100 percent, and it depends on the disease and it depends on the method of transmission and that's what becomes so complicated in AIDS. No one has really worked out the mathematics, no less the statistics of the epidemiology of AIDS. But I mention that ^{in well-known} findings, that diptheria, once you have inoculated 70 percent of the population for diptheria, you have reduced the risks to virtually zero for susceptibles. It's about 90 percent

for smallpox. It differs from disease to disease.

Private schools account for about 11 percent of involvement in the U.S.

(Laughter.)

HANK: A lot of these schools I mentioned do produce some democratic outputs. There are certain academic schools that do, in fact, promote diversity and some of this. So my feeling is that just, you know, back of the envelope calculations we are probably okay.

(Laughter.)

HANK: But when people start to talk about a vast expansion and particularly along existing lines, which are religious, political and ethnic, I should mention that the largest growth industry in private schools are the evangelical/Protestant schools and the growth rates are phenomenal. We don't have a complete fix on them, but they appear to be exponentially right now at 20 to 25 percent a year. Well, obviously, that can't be sustained forever, but the important point is that --

A PARTICIPANT: Miracles can happen.

(Laughter.)

HANK: Okay. Let me finish up. I'm running

out of time.

What I argue is that we can expand privatization by increasing the output of private goods within the public sector; a public sector that does take into account the social goods, in my view, would have to do a lot more on pushing the public sector -- this is another problem -- in terms of the production of social goods, but that to me the only feasible solution consistent with the criteria that I have set out is to provide much more public choice, and I have mentioned a variety of devices -- school self-governance, open enrollments both among and within districts, establishing schools of choice that meet the social goods' requirements, but also provide specialization in various areas, post-secondary options. Very interesting; Minnesota is doing this now. Any high school student can enroll in any post-secondary institution, especially important in rural areas where the offerings are fairly meager in the public schools. Mini-vouchers -- and there is a big problem with the Administration's present proposal, which I have written only one sentence in the paper, their problem, these are private contractors and so on.

Okay. I finished the paper with a special case

of the disadvantaged. I won't go into that, just to say that there do not seem to be any simple or easy answers to the disadvantaged, least of all moving towards the private provision of education.

Thank you.

THE CHAIR: Thank you.

I am now free to time myself and I will try not to take advantage of it.

I think that Hank's paper is the broadest and most pragmatic application of what public press literature has to say in developing an educational format than anything I have seen. And I think it's a real contribution in that.

What I would like to do is a few things, is, first of all, to amplify two things connected with the discussion of the social or public good description that you give. I was struck yesterday by the fact that Dick Nelson's paper and then the Chamberlain-Jackson paper both had education as a significant example and component of what they were discussing. And then even in the discussion of the Koblokkoff paper and Bielberg, Held and Pauley paper we wandered off into the discussion of the commonalities of these problems in connection with education.

Regardless of our ability to document whether or not there really are public goods and what the nature of the public goods are is just clearly a preference in this country and whatever country, developed as well as developing countries, for not treating education as a good like tomato soup. It's a purchase in the same way as tomato soup.

I think where we have a lot of problem is trying to empirically document these public good and social good qualities. You give a list of them, but when it comes to really finding the hard evidence, it's not so simple and I think that there are a couple of them, of public good ones, that you may have missed that are a little simpler.

You refer, for example -- and it's standard -- to the increased democratic, political participation in a democracy. But, you know, we have declining voter registrations and an increasing number of our people, of people in the country, the surveys show, don't know the name of their President and their Senators. Yet, we have higher levels of total education. Now that's not controlling for everything, and I understand that, but the evidence does not suggest -- doesn't work in the right direction.

We talk about the public good aspects of education as providing equality of opportunity for your future life after education in terms of earnings. Jenks and others don't really document that it is education which is the significant, and certainly quality of education which is the significant, contributor to this.

We talk about cultural and scientific progress that, if we have more educated population, it's going to contribute to the welfare of the country in terms of moving the production possibility frontier out. But it's not so clear that what we shouldn't do is put all our resources on the best and the brightest and then we would really be able to move that production frontier out, and it's not so obvious that publicly educating everybody is really the public good. That public good, in fact, if I recall correctly, Thomas Jefferson when he was Governor of Virginia and issued his first statement on public education said that, "Those" -- I think I have this right -- "We need to give public education to those who are endowed with genius and virtue". And the emphasis was all on the best being educated.

I'm not advocating these. I'm simply saying it

isn't obvious that public education produces that public good. Socialization, which you mentioned now, the commonality of it, the contribution to commonality: If we look at the last 25 years in this country, certainly social psychologists would say that the social fabric has considerably thinned. Again, that's not controlled for a lot of other events which are happening in the country, but it doesn't support the public good aspects of it.

What we can document is a few public good aspects; that is, we know wherever we look that increased education is associated with increased mobility. So to the extent that we have a more mobile life before us, we are contributing to the efficiency of the output of the country in many ways, and that is documented as a public good. And certainly across the world more educated populations are associated with higher GNP per capita or GDP per capita or whatever you want to use as a measure.

I think that people may have a preference for having some service as something delivered as a public good even though it isn't documented so. And I think that is because in this particular area what people want is equality of access to schooling, even though access to

that service -- you may not be able to document that access to this service produces the result.

What I am saying is that we always search as we are looking for documentation of public good for the verification that if you deliver the service, there is a public good which comes out at the end or a social good. I am saying that even if that's not documentable, the evidence all around is that people want access to the service. And while you don't want to use the judicial system -- and I agree with you, it's coming to play because the legislators haven't done their job -- nonetheless the Rodriguez, San Antonio case, the education case that went up to the Supreme Court gives the one definition of education, which is constitutionally supported, is access to education. It isn't differential expenditures. It is not a federally-constitutional issue, but whether or not, if someone was not admitted to the educational system, that is a violation of the Federal Constitution.

So I think that vouchers -- what I am really saying here is that vouchers and tax credits as proposals, as privatization proposals may -- and you don't come out for them, but I am just saying that I think there is

another nail in that coffin -- they may spread some of the wherewithal, but the ability of using them is not going to give as much equal access as the current system. And therefore, I think, because it weakens the perception of equal access, it is a serious problem associated with them. Wherever you look, equal access is something people document and want; even though you may not be able to document the ones you have entered, it's doing all that much good out there.

Secondly, in the discussion of public goods, I think the -- and you don't discuss this much in the paper -- is the perceived importance of equality of educational resources. Again, successful or not, the fact that you are receiving an equal amount of resources turns out to be a very important issue. I might say that it is not an accident that it is very hard for those who are doing research on expenditures and in relation to outcome and so on to find the data on expenditures by school; that is, the school districts are required to issue budgets, but try to get the expenditure data for each school.

The School District of Philadelphia issued it for two years and they learned what the problems

associated with that were because parents of every school took hold of their school set of sheets to see whether they were getting the same amount as everybody else and, of course, where we may know that because some teachers are more experienced in one school than another, the resources aren't going to be the same. But that's not what parents look at. If another school gets a certain amount of dollars, that's what they want to get. If a certain other school has per capita teacher/student ratio, that's what they want to have.

Again, the issue here is that, even though you can't document -- and you certainly can't document -- that equality of resources is going to be the best thing for educational outcome -- in fact, in some cases, it's quite clear that if you have a very handicapped child and a very bright child and you provide equal resources, there is no way you are going to get equal outcome.

But it is a public good, as people define democratic access to education, that they have equal access to resources and, in fact, there was a case in Maryland, *Somerset v. Hornbeck* in 1981 where the Maryland Circuit Court actually issued a statement which

said that in the State of Maryland equal educational opportunity will be defined as mathematically equal dollars per pupil across the State. It was, however, it's only fair to tell you, overturned --

(Laughter.)

THE CHAIR: -- at the Maryland Supreme Court.

Now I think essentially any movements in the direction of privatization again accentuate the differences in expenditures, and that that is going to add to the problems of the two public goods that I am identifying here -- one is equal access and one is equal resources, as people see them.

The third point I would like to make in a sense works in the opposite direction. Public goods, there is a great deal of difficulty in measuring public goods, and I think that the paper needs to deal with that in your file agenda that you have as the recommendations for what public choice would suggest, given that we are going to retain a public system, allowing private schools to exist. You have an agenda for curriculum and changes in curriculum.

But I think we have to address this question

of the measurability of the public good aspects of each of these proposals, because I think that if you look around, you see that whether or not there is a public good, in part, or the perception of a public good in a sense is in the eyes of the beholder. It depends who is the principal and who is the agent involved in this.

The principals who have measurable things to receive have more power than the principals who don't have measurable things to receive. Your list of agenda doesn't deal with the question of -- I mean, we all know that the whole problem out there in the public sector is accountability and so on, but there is a difference in that some things are more measurable than the other.

For example, what you have is teachers where teachers are the principal, that is in the sense that they receive the resources from the principal of the school; therefore, they are the principal. In receiving resources it's very clear that they can measure that. They know exactly how many more, how many pupils they have in front of them and how many resources, dollars they get for books and all of this kind of thing, and, therefore, what they want is more.

On the agent side, in the delivering of teaching, however, we have a lot of problem measuring how good they are at teaching, and therefore we have a great problem in maximizing the public good aspects of that part of the behavior of the power. Administrators, similarly, as their role as principal, receive resources from the school district and what they want is more and larger responsibilities. School systems have taken on every need of our society practically from feeding and health, and now they are eager to take on day-care and extend it. They can measure those resources and more ~~power~~. When it comes to the delivery end, which is the real public good that somehow we are after here, we can't measure that. So the power is in the part -- the power of the principal relates to whether or not they can measure it, and they have got more power if they're dealing with a good which is measurement. So they have more power to get more resources; they have more power than they have to deliver high-quality education at the other end.

What's not clear, it seems to me, from your list is whether or not your proposals of mini-vouchers, access to other post-secondary schools and the like are going to provide the incentives if we can't deal with these measurability

problems. You give a list of proposals which in a sense are consistent with public choice literature. They expand the choice. But if you can, the real choice that is expanded, the purpose of expanding choice is to improve the outcome of the delivery of education. And what I am saying is that if we can't measure some of these things, I think we will continue with the dominance of only those things which are measurable, and I don't think we have addressed them, the real incentive problem which is in education.

And finally, a smaller point here, I think there should be one more item on the list of things that one is suggesting, that is you don't really refer to any new fiscal arrangements that would be associated with this. And I think that if you are going to have more local control, more locally determined access to all these options which you are proposing and it is to be consistent with equal distribution, then I think the state distributional formulas for education are going to have to be reexamined. The more choice you are introducing into the curriculum, the more capability for local communities to be forthcoming with this choice are going to be needed.

In summary, I think that public goods in education

need not be documentable by the usual list of public goods, that there are some which are left out, which in fact turn out to be the ones that year-in/year-out turn out to be what -- recognized as public goods.

Tape 1
Side 2

Second of all, I think that much of the conflict that we see in education --

MR. SHANKER: I will comment on a different light than we have had before and as valuable and I am sure will be discussed beyond this conference in terms of new angles that it raises.

I would like to deal with a number of points. First, I think it's interesting that we're discussing this issue and meeting at a time in regard to this country's period of almost four years of education reform, and Governors have just met and put out a report called the Governors' Report of 1991, indicating that they are committed for at least another five years, and to raise the question in the context of the issue of privatization: What are the chances that a nation made up mostly of private schools ~~will~~ engage in public discussion be able to take public action and get the states to bring about improvements on a national basis?

It could, of course, happen; the issue then would be the amount of regulation that these private schools would take from the public government. But it's interesting over the years that in Great Britain where there is public support for private schools, a ~~large~~ number of private schools and also choice and the government runs schools in terms of places that are vacant, one of the groups complaining most that it is impossible to bring about improvement and change ~~as~~ groups of parents, who frequently contrast the parents organizations in the United States with their own. That is, if everyone who doesn't like some things, switches and nobody stays to fight, and we have in this country still a little bit of question as to whether all these reports can result in any real differences, but at least we see in these two countries--the country that has the greatest choice seems to have a smaller amount of movement in terms of public initiative.

Of course, there are countries like Holland where about 85 percent of the kids go to publicly-supported private schools, but those are very, very heavily regulated. There can be no differences in expenditures in the two systems and essentially they

are both public systems with few very, very minor differences.

I think also the interesting thing is that -- Hank just mentioned it in terms of talking about schools in Milwaukee some years ago and some other places -- but I think that at the present time it can fairly be said that in terms of the basic delivery of educational services, it's hard to see the difference between the public and private schools in terms of basic organization. With the exception of religious materials, the textbooks are the same, there is a classroom form of organization, there is a principal in the school, there are a certain number of periods, there are the same problems with grouping and so forth. But what we are dealing with here is the question of who owns the factory and not is the factory really producing a different product.

I think Hank's questioning of whether the difference makes a difference in all those reports can be seen on the other side by just -- if you are walking blindfolded and don't see the outside name of the school and you don't walk into a religion class --

(Laughter.)

MR. SHANKER: -- and things were removed from

the walls, I would defy anyone to tell the difference between what is going on in the public school or private school.

Now the real question as to what we are talking about, about selling different products or even outcomes that are substantially different.

Now the one place where I agreed most strongly and yet I think it's perhaps the weakest point of the paper -- as I think the strongest point is in the development of common values and diversity of views, the ability to debate different issues. And I think in the last few years I have found myself -- my friends who want to move toward a voucher system, I ask them: Well, what would they think if we moved toward a voucher system and how they feel about the public supporting schools which follow the advice of the bishops on defense policies and on economic policy? And many of those who support choice are very reluctant to support programs of indoctrination especially when they are very strongly on the other side.

I think what is weak in the paper is the question of the evidence of the extent to which public schools are today fulfilling this function.

If you take a recent article in the New York Times about a student who found a wallet and returned it and everyone in the school discussed the issue, and when some reporters came in at the end, they found that the discussion was lively but in not a single class did any teacher venture to express the opinion of what the student did in returning the wallet was right; that that was going too far.

(Laughter.)

MR. SHANKER: I went to a meeting of the education establishment in Washington with Dr. Etzione, and Etzione was stressing the importance of common values, reaching common values in the schools and then said that the schools were really falling down in this function, and talked about how his son was going to an outstanding school in Montgomery County, that he couldn't find a private school any better, he was sure. But one day when he was in the White House, in the Carter White House, he was called and told that his son had had an accident and "don't worry, it's okay, but come" and found that the child sitting next to his son had poked a pencil through his son's cheek and the kid had to be taken to the hospital and have several stitches. And a day or two later Etzione

went to see the principal. And the principal said, "Sit down, Dr. Etzione. This is a terrible thing that happened. Before you say anything, I want to just tell you, give you two bits of information that I am sure will be helpful. But, first, I want you to know it was one of these very hot muggy days where kids fidget around and this type of thing is likely to happen".

(Laughter.)

MR. SHANKER: "And, second", he said, "I want you to know the child that did this is under a lot of pressure because his parents are separating and are going to be divorced." Etzione then turned to the principal and wanted to know, "Well, is there anything else?" And the principal said no. And Etzione asked, "Well, is there anybody in the school who told the kid who did this that what he did was wrong and it won't be tolerated and that he will in some way be punished now and in the future if it happens again?" And the principal just stared at him. Obviously, the view was that everything that a kid does is determined by the fate or family or the genes or something else, and there wasn't any point.

And to go beyond that, when you see the

introduction of materials in schools by, let's see, some teacher organizations --

(Laughter.)

MR. SHANKER: -- on how to teach about nuclear issues, I mean is there any sense that in the schools of America today that when these issues are discussed, that there indeed is a discussion or debate on the question of nuclear defense? That is, does anyone talk about deterrence or is it all a fragmented thing about what will happen if the world ends?

So I think that probably the weakest part there -- the strongest is because that certainly is the ideal and that would be an excellent defense and it is very strong in terms of my defense of public schools, but in terms of ~~the~~ the public schools doing it and do public schools either through a super-sophistication or general relativism or through the indoctrination of interest groups have the power within the schools so that they can substitute their own form of indoctrination for that type of discussion, which you correctly indicate is a foundation of justification in the schools.

I think the common values and the ability to

see and appreciate differences and so forth, I think they are strong, but I think that the experience of what now goes on in schools may not justify that defense without some change in the schools.

I would like to -- I think beyond that, much of the talk, of course, is in terms of movements towards vouchers and tax credits as a mechanism toward moving toward privatization. In view of the fact that we do know that the measurement issues are so great here and that we are not very good at that at this point, and it seems to me that because of what Barbara Lerner ~~said~~ not too many years ago, if we were to do this on some sort of experimental basis to see at least with respect to the issue of whether the private schools do result in greater achievement and not just for those who would do it anyway, but for those who aren't making it, would be worthwhile.

She, of course, said that there was no public interest in giving money to parents of kids who were already doing quite well, you know, elsewhere. And there was substantial public interest in providing a way out for kids who were failing in every respect. What have you got to lose if you have got somebody who can't read,

can't write, can't count, doesn't come to school anymore and when he does, he hits everybody else? Unfortunately, there doesn't seem to be much of a private school interest in providing access for these kids. That is, the strongest argument it would seem to me is to say take those the public schools can't deal with and clearly get those kids who are not making it in those schools and give them a second chance in a system which is different and apply the same measurements later on. That is, this is not an expulsion system. The system essentially would assert that there is a primary delivery system and we are staying with it. However, in these cases where we have not succeeded, if all this claims that they can, it would give them the opportunity to do so and then measure what they know. Did they learn to read? Did they learn to write? Did they learn to count? Did they stop hitting and do they come to school, et cetera? These are things that can be measured.

But I think that, unfortunately, the aspect that Hank -- and he correctly points out -- the difficult issue with respect to the hard to educate, I think, is tested by this kind of a proposal which has been around for some time

with no buyers, as I see it.

I think that one of the very strong points in the paper is the one that shows the courts have taken hold, in some cases, the Congress, legislatures but mostly the courts and they have removed some of the differences that have existed as a result of little control, that there has been greater demand for privatization and for choice, that people get out of a system which they like less or where they are compelled to have their kids be with other kids or do things, et cetera, which they don't want.

I don't know why you don't deal with the question of whether perhaps our society has gone too far in compelling what it thinks is right. So far, the people who a few years ago didn't think of leaving the system or privatizing are now thinking of abandoning it. That is, let's assume that we all accept racial integration as a very important value and that we have more systems of segregation. Nevertheless, when this issue came and is still before our society, no one seriously proposes that every sixth house that is vacated on every block in the United States must be filled by a member of some other group, or to go further, that it be vacated forcibly

now and do this; that there is no other institution in our society where we have said that we are going to do it through this compulsory type of mechanism, not without resistance, it might not always work. But maybe in a democratic society you can't do it that way. And to do it that way and to raise all these questions about whether the institution perhaps shouldn't close up, that is if you raise serious enough opposition to the institution by trying to accomplish laudable goals in this way, it seems to me that you have to begin to question the means and ~~we~~ haven't done that enough, even those of us who embrace most of the outcomes as a result of these.

Do we really want to say that you can only spend a certain amount of money on ~~cap~~ schools in this state or in this district because that is so important that, if you don't like it, then you ~~join~~ the battle for privatization or move out of the state to a state that has a higher cap? Is the amount of bang you get out of that educationally or even from a legitimacy point of view of what it is that people want? Is the amount of bang that you get out of that worth the price that you pay for it when a community feels that if it wants to spend

another buck or two bucks and the community next door doesn't want to, it has to be limited for its children to what the community next door wants?

Now I think that I strongly favor the increase in public choice. I think it's going to be very difficult because some of the public choice issues, we have been able to do it for a long time and there are obviously things operating within public systems that work very strong against them. Perhaps one of the most important issues of choice in public school has nothing to do with whether you move your kid to a different district or to a junior college or something like that. My kid enrolled a few days ago and the teacher and my kid just can't stand each other; they have some kind of a personality conflict. Now what are the chances that if I go to -- even if you had school site management -- and in this respect there is school site management; there always has been. There is no principal who is not able to move a kid from one teacher to another within the school.

I am not saying that that's not desirable for parents of students to get to learn that sometimes they

have to live with people they don't like, but there are also extreme situations in which, you know, it is just impossible and traumatic. What are the chances that a parent can go to a principal and say, "Look, I've tried everything. I have talked to my kid and we have spent a couple of weeks seeing a counselor and now we're going to a psychologist, and in spite of that, my kid started bed wetting again and he is willing to give up his allowance for the rest of his life".

(Laughter.)

MR. SHANKER: "Will you please move him?"

(Laughter.)

MR. SHANKER: Now the chances of getting that kid moved is almost zero on the simple basis that if I do it for your kid, I'm going to have to do it for everyone else who wets his bed.

(Laughter.)

MR. SHANKER: So to suggest that school sight management necessarily solves these problems--some of the greatest insensitivity exists in small towns, in little schools and little places like that--I think we are dealing with an issue which is a very important one but which has

a stronger grip; the rigidities of the system have a much stronger hold than are likely to be modified by simple cases.

I think similarly one of the issues of choice, of course, is the question of who sits next to my kid. That's one -- the peer group is obviously one of the important educational influences. And this is one where not everybody can win. And there is also pretty strong evidence that if you don't have a certain number of learning students -- well, it's a couple of issues here.

One is if you don't have a certain number of learning students, there is very strong evidence that there may be anything that could be done. You develop a certain atmosphere if you don't have a significant number of role models.

And to get to the rock bottom of it and not dealt with explicitly in a single line, I think it's a simple law and order issue. Are public schools able to somehow provide for a separation of those students who are frequently violent, drug users and peddlers? I think if you can't deal with a minimal law and order issue, there is very little defense. You have to get beyond that

to get to the philosophic arguments as to what the fates are. And so far the public schools have not been able to deal with the threshold law and order issue, even to be able to get beyond these.

Now I would suggest that even with the public choice model, you may end up decimating -- for instance, you can have urban school districts. I would like to see this happen, but I am also worried that what you might have is you might take the 25 percent of the role models who are the models for all the other kids, would be offered positions in local suburban areas with empty seats, leaving the city very much the way the ghetto was left once blacks who were educated and who have made it were able to move to suburbia and elsewhere, that is to leave these schools without any sort of community leadership.

My final point is that it may very well be that we may be on the verge of moving away from this as an important issue as it is today, and that is that a good part of this issue deals with the way schools are now organized in terms of classrooms where the teacher has to talk to the whole class and they are all working at

the same rate. So if you have got a lot of kids who are slower or if you have got two or three kids who don't sit still or who move around, who make noise or cannot respond or who don't learn by listening to someone lecture and writing a few notes, the single method of delivery, and it's pretty much lock-step, that that means it is very important that there be other students in the class who proceed at the same rate, and that there not be any kid in the class who takes the time away from the teacher to disturb that whole mass productivity.

But suppose that a combination of technology and some division of the recent Carnegie Report turns the school into a different type of institution. but we don't have a batch processing with youngsters, but with a sort of a team with students actively engaged in learning and with massive use of not only computers but video tapes and audio tapes that you have a school which operates a lot more the way a Boy Scouts' troop does in the way of individual kids being pushed, the materials being there and adults there as resources so that, if some kid moves or some kid moves slowly or some kids throws something at the other end of the room, and if I have got a bright

and good kid and the materials are there and there are adults that kid could react to, the existence of that whole group around him doesn't have that negative effect. So I wonder what would happen. Right now, you can have a doctor and I walk in to see him and a disadvantaged person walks in twenty minutes later and a handicapped person walks in 30 minutes later. It doesn't make any difference to me. I'm only interested in the doctor's ability to deal with my case. But I wonder what would happen if doctors were to take patients twenty-five at a time --

(Laughter.)

MR. SHANKER: -- and sort of generally look them over and then give them all the same treatment, whether I would start getting more fussy about all the other patients ~~who came in~~ at the same time.

A PARTICIPANT: You would get a better patient education than you would get--

MR. SHANKER: All right.

So I just wonder whether the answer to some of this might not be a question ^{or} structure that we have now, which may give rise to the pressure for privatization and that other structures might reduce it.

THE CHAIR: Thank you very much.

Questions?

Ed.

ED: I'm going to take what may well turn out to be a very small minority view; certainly, I'm less well-informed on some of things with the people I am surrounded with at this end of the table.

In a way, I think the key issue of the educational case is how much kind of public goods are there from the public schools. And my reading of history education is not as good as those people surrounding me here, but my reading is exactly the opposite, namely that the private schools produce more of social awareness, better training for living in a democracy and better socialization than public schools.

In the 19th Century in England, we had a series of reform bills extending into the early part of the 20th Century, which for the first time in the history of the world transformed a tightly-held oligarchy into a democracy with broad-based franchises. It was the people who came from private schools. In this country it managed to produce a revolution entirely by people who came from

private schools. It was Franklin Roosevelt who was sort of public ~~spare~~ by some people's counts, but was a product of private schools.

(Laughter.)

ED: We have Princeton in the nation's service. We have Harvard ~~produce~~ all its misguided public ~~services~~.

(Laughter.)

ED: No comparison is pure in this ~~business~~, but I want to know what is the evidence that the public schools produce better socially-minded products? And is there a Coleman-type study of graduates of religious high schools that shows they are more cramped in their outlook on public goods and social mindedness than graduates of public schools?

I don't know. It wouldn't be too hard to do. None of these things are conclusive, but at least we have got some evidence.

Now if I am anywhere near right in my notions about production of public and private goods as between public and private schools, that suggests to me very strongly that we ought to at least give a try to vouchers. It may well be that it would turn out to come acropper;

nobody would be interested and the transaction cost of doing the investigation might just be overwhelming. You could make many people worse off. You might make some teachers worse off and some principals and some bureaucrats worse off. You couldn't make many consumers worse off because anybody who didn't want to bear the transactions cost would just continue to do what they have always done, send their kids to a public school.

And I don't believe -- especially in typical communities -- that the public schools would be decimated. What they do is have to focus their attention on providing a better product in order to avoid losing a kid, but that doesn't mean that they would lose even a large sample of the kids.

And I feel this especially in terms of disadvantaged ~~part~~, which in some sense are the key issues in the education issue these days. The reason non-private schools show any interest in these disadvantaged people is because they all come with no money in their pockets. If they come with a voucher in their pockets, then you might -- I don't know -- but you might well find private schools showing some interest in them.

In terms of integrating public schools on one dimension or another -- race, sex, income levels of families and things like that -- I don't know what would happen. I don't think anybody knows what would happen.

One thing we do know, and that is that at the moment a major barrier to decent mixtures in the schools is the inability to physically, legally and socially cross jurisdictional boundaries. It's just awfully difficult. We found that out in Boston and other places where they tried to ship kids compulsorily out to the suburbs. But vouchers would end that. It would be much easier to cross jurisdictional boundaries with vouchers than it is with the current kind of judicial running of public schools that we have seen around the country.

So my question is: Is there any reason to think that any significant group would be made worse off? And if the answer is no, then we ought to at least give it a try.

THE CHAIR: Bob. Steve.

VOICE: All right.

I wanted to raise a couple of questions about the cost comparison in the paper between private schools and public schools. It seems to me that when we are considering

something like vouchers, the relevant thing to compare is not the total cost, as the paper does, but the cost to taxpayers that would be involved.

And if you have private schools able to use non-dollar resources to cover a significant part of the operational needs, then therefore they can afford to offer tuition that's half of what, say, a public school would have to charge, and therefore when large numbers of consumers are given vouchers and can afford that half-price tuition, it seems to me that taxpayers could achieve a lot more educational output for less total expenditure that way, and that that is the relevant comparison, not the fact that if you valued volunteers and nuns at market prices, et cetera, et cetera, that the costs might well be equal.

That's true, but I don't think it's relevant for the public policy question that's at stake here in looking at vouchers.

Secondly was the point about public schools have to take more costly students such as handicapped and vocational education. Well, that is true also, but the possibility of differential vouchers, vouchers to handle higher cost cases certainly exists. It's not a fundamental problem

with the proposal for vouchers.

Also there is the question of whether -- which is a long-debated question in education -- of whether one mainstreams or whether one provides specialized facilities for special cases. The same question, of course, has arisen with handicapped access to transit, and the studies have shown that it's far more cost effective to provide little vans that can handle wheelchairs for the relatively small numbers that we have to provide public transit for than to equip all the subway stations and all the buses with lifts and elevators and so forth.

The similar sort of comparison ought to be made in terms of the costs involved in education for special cases, and I think perhaps moving to a voucher system would make it more obvious that we should make those sorts of cost trade-offs.

THE CHAIR: Steve and then Bob Inman and then Hank will talk a few minutes about the various comments.

✓ STEVE: Anita, you have commented about the importance of equality of access and what I see in New York is parents trying very hard to avoid access

to selective public schools, looking very hard to put up phoney addresses, relatives' addresses and so on so their children can go elsewhere. That prompts me to ask Mr. Shanker about the so-far submerged point that Hank raised about privatization aside how about greater parental choice within the public school system, which has some profound implications of course ~~for~~ teachers and principals. That implies that a school which is shunned is going to lose its clientele and presumably its principal and its teachers will lose their jobs. And if, in fact, there are some sterling teachers in a poor school, they might be hired by another effective principal/manager elsewhere, but it is certainly a parental choice and parental choice of schools does have profound implications for the teaching profession in respect to jobs.

THE CHAIR: Al, do you want to comment?

MR. SHANKER: Sure. I would favor it within a school district. I have no problem with it, and I think New York City is moving toward that. I think yesterday's newspaper talked about, you know, that most high schools in New York City, what they are doing is removing the standards that exist now for entry into those schools,

so that the fine points that there was -- that the standard essentially created.

VOICE: That's the elementary level.

MR. SHANKER:

MR. SHANKER: I wouldn't have any problem with that. I wouldn't have any problem with a school that closed down and with the personnel there being thrown into an assigned risk pool where they would have to be picked up by somebody else.

(Laughter.)

THE CHAIR: Bob.

BOB: I think Anita's pointed question started me thinking and the subsequent discussion helped me think it through, I think, very well.

The pointed question is: What is different between tomato soup and education? And I think in some ways that's the issue we are struggling with.

MR. SHANKER: In tomato soup you know what you are getting.

BOB: It may be an advantage, yes.

(Laughter.)

VOICE: Botulism.

BOB: But it seems to me two items were emphasized

and the third maybe not emphasized, and I lay the third on the table and then come out, concluding like everybody has on the other two, that there may not be a heck of a lot of difference between public and private provision.

The two that have been talked about are the attributes of economic opportunity and then the notion of political values and socialization. I think the conclusion, or at least the evidence, suggests that there is no comparative advantage for one institutional form over the other. And I don't know the political value development in socialization, but I think Ed's comments seem to me at least anecdotally to be telling it.

I gather, John, you may know there is political science literature on source of values, and I'm not sure how much public versus private schools have a comparative advantage there. But at least in terms of economic opportunity, and one might suspect also in terms of political values that there is no comparative advantage of public or private organization.

The third possibility though, which I think was motivated in part by Mr. Shanker's comments, is the myth of the reality of the melting pot. I think there is a real

sense of commitment and maybe in some ways lies at the heart of Hank's notion of why we need public schools. But in many ways the only way you get the melting pot is the coercive nature that public education has, and the only way that one gets taxes is to coerce people to contribute here. The only way one gets melting pots is to coerce people to go into the melting pot.

And yet, when I think about it, it doesn't take me too long to realize that the public system really isn't much of a melting pot when you get right down to it. With suburbanization and tracking it's not indeed; private schools with scholarships may be better melting pots than suburbanization and tracking and vouchers can well deal with the melting pot idea; that is, one could imagine school-wide vouchers that said when you hit proportions that we find attractive, here's a little bonus for you.

So that it seems to me that the voucher system can probably deal with all aspects at least that seem to have surfaced in this particular discussion, as well as any strictly public system.

I can argue, however, that my public training school training did socialize me in one important thing

which this last hour convinced me I ought to challenge and that is public education is the only way to go. It was very clear to me --

(Laughter.)

BOB: -- as I was growing up in my public schools that public education was in some sense the only way to think about the educational process. And I suspect that this kind of fundamental thinking that we are doing is an important one.

THE CHAIR: Hank and then Myron.

HANK: Just a couple of comments.

I guess that one of the things is that people have very strong feelings about this, which I think create a situation in which you have the problem that nothing can be falsified. And let me just give one example.

Two or three years ago, one would hear private schools ^{cut} produce achievement ~~in~~ public schools; they're so fantastic. Okay. So you have a study that's done, and then what you do is you find a small difference in favor of private schools. Now that is then debated methodologically in the Goldberger and Kenken debate.

But again accept the result. Accept the one-tenth

of a sigma. It's so tiny without taking account of selection effects, but people who are in favor of vouchers and so on then say, "Well, wait a minute, maybe the socialization effects in fact work in the other direction".

(Laughter.)

HANK: There is a book by E.G. West, which is, I think, a marvelous polemic on this subject; I mean polemic in the best sense because I think polemics are good in exploring and pushing issues. But one part of this is it makes the same point that you do. He said, look, if you look in England -- maybe you had a point -- you know, in the 19th Century or even in the 20th Century, where do the important civil servants come from? Where do the members of Parliament come from? They come from the private schools.

Ergo -- that's his main argument, not the only one -- but that's his main argument for, therefore, it's the private schools that produce the social good.

Well, obviously, there are certain kinds of people who are going to private schools who have certain connections in the society and certain accoutrements, advantages that bring them into certain positions in the society. Well, that is not ~~the~~ account of it all.

Well, the important point here is that I guess one of the frustrating things in writing a paper, which are intended not to be on vouchers, is the paper always comes to vouchers. Let me give you a second example.

(Laughter.)

HANK: The cost differences were only to explore, you know, whether in fact there are measurable efficiency differences. It was not to deny that we can't give a larger voucher. Actually, you can and you can design a voucher plan to do a lot of things. I agree with you whole-heartedly. But that is a different issue. That's not to deny the fact that once you do make comparisons across between public and private schools, you have to use the same rules, just for product mix. This is what we do as economists whenever we do this, you know, whenever we look at efficiency. Just for the product mix and try to take account of all the sources. There are two prices.

So I guess one of the things I have tried to avoid is a discussion of vouchers for precisely that reason because I think what you do is you get down to very strong issues without a lot of evidence but with strong feelings.

Al, I'm surprised by a couple of things that you

said here. One of the things is, first of all, I have moved my kids without any problem because Palo Alto, California is unique. Okay?

VOICE: They never wet their beds?

(Laughter.)

HANK: But, you see, in Palo Alto I could also shift my child to another school, and I could raise that issue right within the public school system. And that's the point, that you don't do just one school ~~area~~ governance but there's a whole range of public choice mechanisms, they reinforce each other. And you certainly don't want to say, well, school ~~area~~ governance, then ~~let~~ Hitler run the school. You know, what you want us to do is --

(Laughter.)

HANK: -- also let Mussolini ~~run the school~~

(Laughter.)

HANK: -- or Roosevelt, if Roosevelt is there.

Just a couple of other small comments. One of the things that I have tried to focus on is the public/private distinctions as opposed to the feelings that people have about schools or, gee, but we disagree. So, let's talk about a regulated voucher system because we want to do

all the things. So, you talked about incentives to, you know, have a mixture of students. Jack Koons talks about even legally requiring that the schools ~~can't apply for~~ half the people, I mean very elaborate things in a state constitution referendum. He talked about differential vouchers; all of these things in theory can be done.

But the point is that the same interests that have molded and gotten in the debate of what public school should be are going to be involved in what voucher schools are going to be because this is our money, damn it, and I don't want Nazi schools, you see. So I am going to get in there. The first time I find that these kids are going -- money is being given for home school and it's the posse comitatus running the school, I am going to write my Congressman; I am going to get to my state legislatures; I am going to get pissed off.

Well, a lot of them are going to be in maybe schools that I would send my kids to, someone else. The point is that we know what happens with the regulated model. We know what happens over time, and those groups are not going to disappear.

So all that I am saying is I can see merits on both sides. We can talk about public and private goods, but the

point is don't enter the argument on one side, these interest groups and look what they do and look at how they try to mold things and then say, "Aha, ~~Nonsense!~~ But if we do that, well, of course, you don't analyze if they do that and you find that exactly the same forces are going to be evident, maybe worse. It may be worse because in a sense you can legislate an awful lot more when you deal with regulation than you can when you leave schools to these local school authorities who make a lot of decisions.

So, I guess one of the frustrations as I have tried to say, let's look at the case for public and private goods. But let me ~~ask you~~ ~~FOR A~~ ~~SECOND~~ ~~ANITA?~~

THE CHAIR: Sure.

HANK: And this is my final comment.

(Laughter.)

HANK: Anita says, well, you know, political participation is declining in this society. Now the question, I guess, I would raise is -- and also the education earnings' nexus. Well, see, I understand those data are very different. I understand everyone saying that the more education you get, the higher your earnings, period. And not only that, but the research. And look at college graduate school -- college graduates vis-a-vis high school graduates or high school

graduates vis-a-vis drop-outs, those ratios, they have risen dramatically.

Now the important point is that education does seem to have some effect and what is debated is why they have that effect. You know, whether this is information, a Spencian model, and nothing really happens, whether it's socialization in the Bulls Gintes sense, whether it's knowledge in a more traditional sense, whatever. But it seems to me that that's not a public/private issue. The point is that there is evidence that schools do make the difference in the lives of people, and the only question that we want to do now is to say: Well, gee, but is there evidence that organizing education in one way will have a differential effect on that as opposed to another way?

I think the same is true of political participation. As you mentioned, there are probably a lot of reasons that political participation is declining, but whether in fact that's because the organization of education or some other matter is what we have to explore.

And, see, finally, the point is -- and I think that these are the major effects of education -- we don't live in an anarchy right now where people bomb other people. I know

a few abortion clinics have been bombed. But, in general, that's not the way we behave. In general, even passionate advocates of positions do get engaged as interest groups in the political process and try to do what they can to get their point of view heard, to form coalitions and those kinds of things. It's real imperfect; it's real imperfect and there I just refer to the comment that was made in the final thing by Churchill. It's real imperfect but again what we have to do is not only say this is imperfect and it doesn't work well and I'm really frustrated -- by the way, I'm a parent of five kids and a grandchild; so I have been frustrated five times over in some sense.

(Laughter.)

HANK: But the question is: What alternative organization is going to modify that?

THE CHAIR: Okay. Myron and then Al and then the rest of the discussion will take place over our boxed lunch.

MYRON: I have a quick comment about Bob's question and then I want to talk about Hank's paper.

One of the advantages of the potential of vouchers is that we now don't have a good feasible way of tapping into an increase in personal income for education, and with vouchers

one might do that. And so if a person could add on, somebody might want a Cadillac education, some the Oldsmobile and some others and we would wind up with a total amount -- we might end up with a great deal more spent for education, which would not be a bad thing, you see. And that possibility might or might not be a bad thing.

As far as Hank's paper is concerned, I found it interesting, although the reasons -- Hank might not like the reasons why I found it -- I think it might even wind up as a paid advertisement in the New York Times.

(Laughter.)

MYRON: But I felt like the gnat in the nudist colony, you know. Where do you begin on it? I'm just going to take two points --

(Laughter.)

MYRON: -- one dealing with what he said and one with what he left out.

His argument is that there is a danger that we would lose some of the public good because the people that start the private school business is largely a denominational or ideological group who would shield kids from different points of view. Well, I don't know how many children get

out of the public schools and have heard a disinterested objective study or have been exposed to abortion or nuclear disarmament or the other things that you raise. My guess is that if one-tenth of one percent did so, I would be amazed personally.

And I have often wondered where do the leaders of the Ku Klux Klan come from. Did they go to Amish schools? Did they go to Jewish schools? Did they go to Catholic schools? I think you might have somebody do a dissertation at Stanford on whether these people went to public schools or to private schools. ~~PARTICULARLY IN NO SCHOOL AT ALL.~~ And my guess is that the leaders of these groups are largely people who have attended public schools.

And so to worry about this, when people can't read or write, when people aren't learning to read and write and compute and show up on a job and all these things, and to worry about these ideological -- and personally I would favor the public schools not discussing them because I don't think they have people who are competent to discuss them and so forth. But the notion that somehow our democracy rests on the kind of folklore that we give in the public schools to these, you know, I just think that's seizing a

reason that really doesn't account for much.

And I am interested that Al raised that question of how defensible can we say the public schools are doing with these issues.

But the other thing which was not dealt with that I feel is ~~so~~ critical is to take a little brief view of the reality here that has to be dealt with. For example, in California, California has a law that if you increase the benefits for full-time employees, non-teachers, you must do so for non-teachers, which means that if you give somebody who works 12 months an increase in vacation benefits, you have got to increase the vacation benefits for cafeteria employees who work two hours a day 180 days a year. What they need with vacation benefits heaven only knows, but by law you have got to do that.

Or to give another illustration. In the district that I work for, it had a financial crisis. They had to let go a woman who ran the bookstore. She was paid. A month later -- (end of tape).