

How Markets Affect Quality

*Testing a Theory of Market Education
Against The International Evidence*

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Introduction

In a previous publication (Coulson, 1999), I presented a comparative analysis of education systems from classical Greece to the modern United States. The purpose of that investigation was to look for patterns in the performance of alternative school management and funding mechanisms that persisted across time and place. In particular, three sorts of comparative observations were made:

- Observations of similar education systems operating in distinctly different cultural and economic settings
- Observations of different education systems operating in similar cultural and economic settings, and
- Observations of changes in educational conditions and outcomes as particular societies shifted from one sort of education system to another

Such a broad historical and international study did not of course permit the formulation of a highly elaborated or mathematically precise theory of comparative school governance. It did, however, suggest that some types of school systems are indeed better at serving the public than others. In trying to identify the critical ingredients of these superior school systems, I enumerated a short list of features that those systems tended to share. From this list, and the discussion that accompanied it, it is possible to impute rough predictions about the expected behavior of school systems (based on whether or not they share the features in question).

From that earlier work, and the predictions that follow from it, I have argued elsewhere that a particular arrangement of education tax credits should be preferred to both our current system of public schooling and to alternative market-inspired education reforms (Coulson, 2001).

This paper attempts to test the validity of my earlier predictions and the argument for education tax credits by vetting them against a body of empirical findings not used in the original study.¹ The findings in question are drawn from the international econometric literature on private versus public schooling in less developed countries. This data set is particularly valuable due to the broad spectrum of governance and funding systems in place both within and among the subject countries.

Immediately following this introduction is a brief summary of the features I have alleged to be associated with superior school system performance, and a short list of predictions that follow from them. The subsequent section, which is the main body of the paper, distills the international evidence comparing alternative forms of public and private schooling in less developed nations. Every effort was made to ensure the comprehensiveness of this research summary, but some studies of interest could not be considered because they were not obtained (or were not obtainable) within the time-frame of this project, while others could simply have been missed. These omitted papers, and any new contributions to the field, may be considered in a subsequent revision of this investigation.

¹ Two exceptions to the novelty of the data used in this paper are the studies of the Cleveland and Milwaukee voucher plans, which were considered peripherally in my earlier work, and are again discussed here because of their high profile in the US education policy debate.

Following the presentation of findings is a discussion of the patterns that emerge from the literature, and an evaluation of the validity of the subject predictions. Finally, my earlier arguments in favor of education tax credits are evaluated in light of the evidence presented below.

*This paper will be published in its entirety
in a forthcoming book by the Cato Institute*