Never in the modern history of public education in the United States have parents had more options about where to send their kids to school. Vouchers and charters, magnet schools, and even publicly financed home schooling — almost every state, major school district, and large city has some sort of school-choice program or is considering one.

Washington, D.C., is home to a federally funded effort that pays private school tuition for more than 1,800 low-income children. North Carolina has one of the country’s largest charter school programs, now encompassing 92 schools. South Carolina is looking at a number of plans, from open public school enrollment to private school vouchers. Utah recently established the nation’s most-encompassing voucher initiative. Perhaps most significantly, Milwaukee is in its 17th year of hosting its pioneering choice program.

Just about everything else has been tried to fix public education, from busing to smaller class sizes to ramped-up per-pupil spending and teacher salaries. But until recently, exposing schools to market forces wasn’t one of them.

The theory of school choice, as popularized by economist Milton Friedman, looks like a clean solution to the problem of poor-performing schools and the underachieving students who attend them. Friedman envisioned a publicly funded system based on vouchers: Parents are given coupons that can be redeemed for their child’s admission to a school of their choosing. These vouchers cover the full cost of tuition, and the money used to pay for them follows students to their schools. The idea is that with choice, parents create competition among schools, whether public or private, for students and the money that is attached to them. This changes the overall market structure for education, begetting greater overall efficiency and educational outcomes. As a result, kids learn more.

All of which sounds great. The problem is that, even with the increasing number of school-choice programs nationwide, Friedman’s notion remains mostly theoretical. Most of these programs in the United States are small; many are just getting started.
In the absence of obvious evidence, it is difficult to have a civil conversation about the merits of school choice. Mention “vouchers” and expect impassioned opinions to be flung your way. One side is scorned as market zealots, the other as union shills. Even the term “choice” is loaded, having been appropriated by the movement in favor of vouchers.

Inevitably, policy debates over school choice bog down in the politics of race, religion, and organized labor. But in technical papers and academic journals, social scientists are studying U.S. school-choice programs, as limited as they are, and engaging in lively discussions. Do voucher programs really help students learn more? Do such programs need more accountability and government regulation? Or is just the existence of “choice” a virtue unto itself? As their findings move closer to broad consensus — and in fact, they’re pretty close — and as large programs like the one in Milwaukee mature, it’s possible to imagine a not-so-distant future when public conversations on school choice are finally based on evidence instead of opinion.

The Milwaukee Experiment

School choice can take on many forms. There are charter schools, public institutions that operate with some autonomy from their district. Some would also include magnet schools and open enrollment among public schools as being in the spirit of choice, at least in cases when schools compete for students and funding. Finally, there are vouchers — the gold standard in school-choice programs.

To see school choice at its most robust in the United States, go to Milwaukee.

The Milwaukee Parental Choice Program, which now pays private school tuition for up to one-quarter of the district’s student population. Any student whose family lives at less than 175 percent of the poverty line qualifies. It doesn’t matter if they already attend private school; any low-income student living in the district is eligible.

Some of the “choice” schools — as Milwaukee private schools that accept vouchers are known — are doing laudable things. Notre Dame Middle School, on the city’s impoverished, increasingly Hispanic south side, is a showcase. This school year it has 103 students, all girls, most Hispanic, in grades five through eight.

This fall the students and administrators will expand into a new $2 million building, complete with basketball gym, life science laboratories, and flat-screen TVs.

The school measures its success in many ways, but maybe the most prominent is the percentage of students who graduate and eventually go on to college — more than three-quarters do. A first step in this process is regular attendance, which is why the principal regularly hops in a van to knock on doors seeking truant students.

But the real key to Notre Dame’s long-term accomplishment is contained in a large whiteboard mounted in a cramped first-floor office. On it are the names of every graduate of the school — from 1996 to present, 152 so far. Beside each name is the high school the girl attends or attended, and on what scholarship they aim to continue their education. Students graduate from the middle school, but Notre Dame keeps up with them.

A Protestant Approach

A few years ago, a man named Henry Tyson learned about Notre Dame’s whiteboard. Now, a similar board occupies wall space in Tyson’s school, St. Marcus Lutheran, where he is the principal. He explains the virtues of St. Marcus in a single piece of paper. It shows a photo of a girl, “Jade B.,” who enrolled at St. Marcus as a fourth-grader. In the fifth grade, she was in the 35th percentile of students taking a national standardized test; by seventh grade, she was in the 93rd percentile.

The message is clear: St. Marcus can perform near miracles with children, plucking them from failing inner-city public schools and transforming them into academic stars. Founded in 1873, the school (with grades prekindergarten through eight) had fewer than 100 students during the 1990s. With the introduction of vouchers, the student population surged, more than doubling in size in 2001 to 220
Another Choice: Charters

Just a couple of decades ago, charter schools didn’t exist in this country. Minnesota passed the first charter school law in 1991, followed quickly by California. Today, 40 states, the District of Columbia, and Puerto Rico together have more than 1 million students who attend more than 3,500 charter schools, far outnumbering voucher programs in this country. In D.C., more than one-quarter of all public school students are enrolled in charter schools.

Charter schools differ from voucher programs in several important ways. They are public, for starters, and can’t be religious in nature. But like private schools, they don’t have to stick to some state and local regulations as well as contracts with teachers’ unions. They get their charters, which typically last for three to five years, from some governing body — usually the local school board, but also states, cities, and schools of higher education. Charter school students usually take the same state and federal standardized tests as their public school counterparts. Funding depends on how many students enroll, and often (but not always) the funding follows students instead of remaining in the overall school district budget.

Helen Ladd, an economist at Duke University, has studied one of the nation’s largest charter programs. North Carolina law allows up to 100 charter schools and this school year had 92, with about 27,000 students enrolled. The schools operate under the auspices of the State Board of Education.

According to Ladd, the results so far haven’t been positive. Charter school students in her studies make smaller achievement gains than they would have in traditional public schools. She attributes much of this negative effect on high rates of student turnover. “In a choice system, an unintended side effect is greater mobility of students moving in and out of schools,” says Ladd. “That’s not particularly good for either the schools or the students.” Additionally, given that charter schools enroll less than 2 percent of the total North Carolina student population, the opportunity for creating beneficial competitive effects is limited.

“Choice is something to be valued in its own right. It’s empowerment,” says Ladd. “But if we are going to use choice to empower parents, then I want those choices to be good choices.”

Harvard University economist Caroline Hoxby disputes Ladd’s findings (which are similar to findings done by other economists of other charter programs). Hoxby argues that random assignment models are the only way to measure achievement differences. Otherwise, Hoxby argues, the sample of students attending charter schools is biased by the likelihood that most of those attending were low-achieving to begin with. To get around that measurement problem, Hoxby focuses on oversubscribed charter schools where lotteries determine admission. The pool of enrollees is thus likely to be more random and a better comparison to the regular school attendees.

“Charter schools are inherently harder to analyze than school vouchers,” says Hoxby. She is referring to the difficulty in finding places where there are enough charter schools to create competitive effects and for which there is enough demand that a researcher can get around the self-selection problem to draw random samples of students for comparison. “You have to do more work to make sure you’re picking up the charter impact and not some time-related impact.”

— DOUG CAMPBELL

Walking into the building is like stepping into a different world. Outside is a tough neighborhood, with boarded up storefronts, and the occasional prostitute or drug dealer. Inside is security. Students wear blazers and either slacks or skirts. They don different neckties (both boys and girls) based on their academic achievement level, with those posting more than a 3.5 grade-point average earning coveted red and blue stripes.

Students get a lot of gospel and no room for misbehavior. Saying “no” to a grown-up is grounds for suspension. The day starts at 6:30 a.m. and ends at 5 p.m. in study hall. At St. Marcus, the pre-K kids — 4-year-olds — are reading first-grade-level books. Students sign a “covenant” that they will complete their homework; if broken they can be expelled. Teachers are on call 24/7. “It’s a hard-nosed, high-discipline, high-expectations, lots of love, religion-based approach,” says Tyson. “It’s possible. You’ve just got to expect it and then have a curriculum that supports it.”

Entry-level St. Marcus teachers get paid near the same as their Milwaukee public school counterparts — about $32,000 per year. But more experienced St. Marcus teachers trail their public counterparts. While a 20-year St. Marcus veteran teacher earns about $47,000, the average pay for a Milwaukee public school teacher is more than $50,000. Tyson says schools like St. Marcus are able to pay less because “monetary compensation is an afterthought for most of our teachers beyond the need to survive.” Tyson, a former public school teacher himself, says he took a 20 percent pay cut to work at St. Marcus. “So what? I knew I would be doing what I love to do.”

For their tax dollars, parents who might never have hoped to see their children even graduate from high school can get a highly disciplined program, the likes of which hardly exist in public schools but for which there is clearly demand in the inner city. Last fall, 400 parents lined up to get their kids into a lottery for admission to the school. About 300 were turned away because of lack of space.

By all accounts, Notre Dame Middle School and St. Marcus Lutheran are exceptional. But for
To many economists, the important thing is making the choices available to everybody. Friedman argued that the “neighborhood effects” of education justified government sponsorship. That is, because society gains from an educated population, the government ought to finance a minimum level of schooling. But government intervention can stop right there, Friedman said, with no need for actual administration of schools. The “externality” he hoped to capture was an educated populace. Whether that population was educated in religious or nonreligious schools doesn’t matter so long as a baseline education is acquired.

How these ideas play out in the real world, however, raises some valid questions about whether they really work.

Milwaukee’s Case for Choice

The traditional system, the “choice” argument goes, isn’t doing very well at providing this baseline education, despite some innovations. Student-to-teacher ratios have shrunk from 25.8 in 1960 to 16 in 2000; the median number of years of teacher experience is up from 11 to 15 during that time; and spending per pupil has grown three-fold. But none of it has made a dent in student achievement, which during the past four decades has been flat, as measured by the performance of 17-year-olds on the National Assessment of Educational Progress. Meanwhile, school districts have consolidated and grown larger over the years, putting parents further away from monolithic decisionmaking. Yes, there is an abundance of fantastic public schools. But in poorer districts, in particular, public education is not meeting expectations.

In the 1980s, the situation in Milwaukee was dire. Less than half the students who entered high school in the district eventually enrolled as seniors. It took an improbable 1980s alliance between then-Gov. Tommy Thompson, a Republican, and Polly Williams, a Democrat who entered the state Legislature primarily on the platform of promoting school choice. To many economists, the important thing is making the choices available to everybody.

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pays for the rest; parents don’t have to pay another dime. This is a requirement of the program: that the vouchers fulfill all of a student’s tuition obligations.

New voucher schools have driven about 40 percent of the overall growth in the program since 1999. Opening a voucher school in Milwaukee today mainly involves meeting some basic administrative requirements from the Department of Public Instruction. Though private, Milwaukee schools accepting voucher students must still follow state requirements for providing basic instruction in reading, language arts, math, social studies, and science. (Private schools don’t have to participate in the voucher program if they don’t want to, and they generally get to set the number of voucher students they will accept. For this reason, elite prep schools participating in the program tend to accept only a handful of voucher students each year.) Voucher schools must also provide evidence of financial stability, and schools entering the program must go through an accreditation process. But the regulations are limited compared to public schools.

Choice advocates think this relatively hands-off approach is one of the Milwaukee program’s best features. Otherwise, they fear, private voucher schools might be saddled with regulations that could decrease their quality. “We have focused on financial viability as a means of solving the problems that we encountered with the program,” says Susan Mitchell, president of School Choice Wisconsin, a nonprofit group set up to advocate the program. “We want to stay out of academic regulation.”

Early Results
The data after five years of the program were quite limited, given the small size of the program. It’s fair to question whether meaningful conclusions could be drawn from a program that involved about 1 percent of the district’s student population. The first study came in 1995 and was required by the law that established the voucher program. It was led by University of Wisconsin-Madison political scientist John Witte who found no significant difference in achievement between public school and voucher students. But a follow-up paper led by political scientists Jay Greene (then at the University of Houston) and Paul Peterson of Harvard University aimed to adjust for self-selection bias, with the idea that Witte’s results were skewed by the likelihood that mainly low-achieving students would be applying for the program, thus all but ensuring that their performances would still trail those of public school students. They assumed that low-achieving students would be the main voucher applicants because satisfied parents wouldn’t bother pulling their children out of public school.

Peterson and Greene compared voucher students to those who had applied for the program but were rejected and saw significant test score gains in reading and math. Finally, Princeton University economist Cecilia Rouse: She found voucher students posted faster gains in math scores, but none in reading.

So all in all, the first batch of studies reported a mixed bag, though more recently, one study found a sample of voucher students with twice the graduation rates of their public school counterparts.

Public School Impact
Understanding the impact of vouchers requires looking not only at private schools but also at public ones. The worry is that public schools will be hurt if their funding is drained with an exodus of voucher students to private schools.

In Milwaukee, no negative effect on public schools appears to have occurred. In fact, the upshot may be positive. The leading research on this topic has been performed by Harvard economist Caroline Hoxby who studied whether competition between public and private schools in Milwaukee improved public school student achievement and public school productivity overall.

Milwaukee circa the late 1990s made an excellent test case for several reasons, Hoxby says. First, it contained students who before choice were constrained to attend schools...
that “unconstrained” students — ones wealthy enough to live elsewhere or go to private school — avoided. These were the students who were most likely to be affected by the introduction of new options for schooling. In addition, Milwaukee residents since 1990 had heard a lot about school choice, but until 1998 — when the 1995 law raising the cap went into effect — most couldn’t participate. The release of vouchers served as a sort of “shock” to the educational environment, allowing researchers to observe a supply response (how public schools would react).

Hoxby focused on two groups: Milwaukee public schools that were likely to face the most competition from voucher-infused private schools (by looking at public schools with the largest populations of voucher-eligible students); and Milwaukee public schools that were less likely to face stiff competition.

What she found was that the students in the former group of schools posted test scores that “improved quite dramatically over the first three years after school choice was unleashed.” In other words, competition from voucher schools made public schools better, which is consistent with theory. (Hoxby’s findings have not gone unchallenged; a 2004 paper by Princeton University economist Jesse Rothstein concluded that “a fair reading of the evidence does not support claims of a large or significant effect.”)

“I am encouraged,” Hoxby says about the results and their indication that school choice is working as theory predicts. “The reason is that where I really expected to see the results, I have seen the results ... I haven’t expected to see results everywhere. If 1 percent of kids can leave for a charter school, I would be surprised that it would do anything.”

How did these gains that Hoxby sees actually come about on the ground? Ken Johnson, who served as president of the Milwaukee Public Schools board of directors in 2005 and 2006, points to several changes, all of which he attributes to the leverage created by school choice. After 1999, the district switched to per-pupil funding, in which dollars followed students even within the public school system (which has open enrollment under Wisconsin law). Each school also was given the power to create its own governance council. These councils were primarily led by parents who have annual authority to review and sign off on their schools’ budgets.

Then there was the innovation of site-based hiring, allowing principals to bring in teachers they wanted instead of having to accept applicants because of seniority. Site-based hiring ended the “annual dance of the lemons,” in which teachers who had quietly been pushed out of one school demanded to be offered positions at others, even if the schools didn’t want them. It was a “climate change” in how Milwaukee public schools operated, Johnson says.

Johnson is not popular in the Milwaukee public school system. His unpopularity grew when he spoke last year in radio advertisements supporting the lift of the cap on vouchers. He is not running for re-election this year and vacates his seat in the spring. “If something is going on in school choice that increases school achievement, then we try to meet and beat that. There’s nothing bad about that. If we can compete and close them [the voucher schools] down, great,” Johnson says.

By contrast, a federally funded Washington, D.C., program is unlikely to have an impact on public schools because of its limited size, even supporters agree. Although many people refer to the Washington Scholarship Fund as a voucher program, it’s strictly a federal grant program through which 1,800 low-income students (in a 60,000-student district) receive $7,500 to pay for private school.

Contrary Findings
The Public Policy Forum, a nonpartisan think tank in Milwaukee, has identified a few problems with the city’s voucher program. Its analysis of the impact of school choice is more ambiguous than the sort usually cited by the pro-school choice crowd.

For one, the Public Policy Forum suggests that a chief beneficiary of the voucher system has been religious schools. Today, about 80 percent of voucher students are enrolled in religious schools, with the largest denominations being Catholic (37 percent) and Lutheran (17 percent). For the most part, these schools were struggling to attract students before vouchers provided a financial windfall, says Anneliese Dickman, research director at the Public Policy Forum.

And this windfall may not be having the beneficial competitive effect that choice advocates seek. After all, it’s possible that students attending religious schools — with their emphasis on discipline and faith — would never go to public schools in the first place. So how does that create competition?

Consider that in the 2006 school year, after the 15,000-student cap was lifted, the voucher program grew by 2,516 new pupils. But private school enrollment grew by just 620 students, and that 60 percent of new voucher users weren’t new to private schools. “The availability of more vouchers didn’t result in a ton of kids coming into the religious schools who weren’t there before,” Dickman says.

Understanding the impact of vouchers requires looking not only at private schools but also at public ones.
Milwaukee's Experiment with School Vouchers

- **Name of Program**
  Milwaukee Parental Choice Program

- **Year Introduced**
  1990

- **Voucher**
  For 2006-2007 academic year, $6,501 per student

- **Eligibility**
  Students living in the Milwaukee public school district who currently attend either public or private schools, with family incomes below 175 percent of the poverty level (currently roughly $35,500 for a family of four)

- **Cap**
  22,500 students, about 25 percent of students living in the Milwaukee public school district

**SOURCE:** Milwaukee Department of Public Instruction

Accountability is another concern. The theory in school-choice programs is that accountability largely is supposed to be taken care of with student mobility. If parents don't like the results, they can move their child to another school.

Yet evidence from Milwaukee makes a pretty good case that this sort of accountability may not be sufficient. There is an information gap. For example: In Milwaukee’s voucher schools, turnover is a big problem, Dickman says, with the annual rate of students dropping out of the voucher program at 25 percent — even as voucher school enrollment has increased. This presents a problem to parents trying to choose the best schools for their kids. “The parents don’t know that half the class isn’t coming back the following year,” he says.

But for the most part, Dickman says, “bad” schools — such as the rapist-founded Alex’s Academics — were filled with kids just before they closed. How can parents properly decide where to send their kids if they don’t have comparable achievement data from both public and voucher schools? “This is not to blame the parents, but they just don’t have all the information they need, so to put the entire responsibility of accountability on them just isn’t fair,” he says.

“Skimming,” however, doesn’t seem to be a significant problem. In Milwaukee, the program is designed to prevent schools from turning away low-achieving students. Private schools have to accept all voucher students for which they have slots, and then choose by lottery once they fill. Also, the voucher pays the full price of tuition, even if the actual cost of enrollment is higher. “Parents are choosing vouchers because they are very unhappy about where their child was before. And perhaps if they’re unhappy it’s because they weren’t doing well,” Dickman says. “My guess is creaming [skimming] is not happening, but we don’t know for sure.”

The Wrong Market?
At the center of almost any discussion about vouchers in Milwaukee — or anywhere else for that matter — is the teachers’ union. Certainly no group is more aggrieved by the choice program.

The Milwaukee Teachers’ Education Association’s list of problems with voucher schools is lengthy. Among the main concerns: Public school teachers must go through licensing that private school teachers don’t. Parents choose private schools not for educational purposes but for discipline or religion (which isn’t necessarily what society hopes to gain from funding schools).

Private schools don’t tend to enroll students with special needs, who are more expensive to educate. (By the union’s count, voucher schools now take fewer than 500 students with special needs, compared with about 15,000 in the public schools.)

“The idea of applying market forces to education is a bad idea to me,” says Dennis Oulahan, president of the Milwaukee teachers’ union. “To me, education is not a commodity, it’s a right. And when you apply market forces to it, we say there will be winners and losers. We can’t afford to have any losers when talking about educating our children.”

Of course, another obvious reason for the teachers’ union to oppose vouchers is that they threaten job security as well as salaries. Nationwide, public school salaries are about 60 percent higher than those offered in private schools. Competition between those schools should put pressure on the higher public school salaries. For voucher advocates, this is precisely the point.

Eric Hanushek, an economist at Stanford University’s Hoover Institution, says that the key to good schools is good teachers, more so than other factors. But trying to get good teachers by requiring extra licensing and regulation doesn’t seem to be working. The data show that high teacher quality is important in fostering student achievement, but that teacher quality is uncorrelated with certification and even experience.

What’s needed, Hanushek says, is a competitive system in which schools essentially bid for the services of good teachers. In time, this system could boost teacher pay, in addition to making schools better.

Teachers’ unions “don’t want competition, any more than Ford Motors wants competition,” Hanushek says. “The puzzle to me is why particularly the minority community and disadvantaged populations in large urban areas are willing to put up with the regular public schools and not demand more choice.”

A Definitive Study?
Is it too optimistic to hope that a consensus — either in favor of or opposed to market-based education systems — among economists could break the stalemate? There will soon be a study that aims to provide all the data which a parent, teacher, policy wonk, or academic could want. As part of the legislation to lift Milwaukee’s voucher cap, a team of researchers was commissioned to...
conduct a five-year evaluation of the program. It is the first to attempt an achievement comparison of voucher and public school (including charter) students since 1995.

“We’re really open to any and all possibilities, trying to go in without any strong priors, just in a spirit of explanation,” says University of Arkansas economist Patrick Wolf, who is heading the five-year investigation along with fellow researchers Jay Greene at the University of Arkansas and John Witte at the University of Wisconsin-Madison. “It’s almost like this great wilderness was discovered a decade ago and nobody rediscovered it.”

So the results from this study should settle matters, right? Probably not. Already, the teachers’ union has labeled the research team as biased in favor of choice, and indeed some of the research team’s past findings on choice programs have largely been positive. Oulahan also questioned whether the testing — which is different than that issued to public school students — will accurately reflect the groups’ relative achievement levels.

Even Hoxby, the economist whose research is most cited by advocates of school choice, is pessimistic. She says it will take a clean, big natural experiment to truly answer all the questions. Milwaukee no longer resembles such an experiment, as the “shock” of having choice available is no longer there. A better study might be one that soon looks at results in Utah, which is now embarking on a statewide voucher program.

“We tend to get messy experiments in the United States. That’s the way politics is,” Hoxby says. “The result is that we have to work especially hard with economics to try to understand and get the information out of these somewhat messy experiments.”

Studies come and go. Howard Fuller, a Milwaukee native who in the early 1990s served as the district’s superintendent, has been involved with school choice from the beginning. Fuller has read all the studies and surveys. He knows they are messy. He believes school choice in Milwaukee requires some tweaking. But to him, what matters most is the principle involved: choice.

“It has given parents who would not otherwise have one, an option,” says Fuller, who now serves as an education professor at Marquette University. “It’s not an issue of whether it’s superior to the traditional system or not. The issue is — did you give low-income and working-class blacks some opportunity to choose? That’s the issue.”

Economic theory says that choice should increase customer satisfaction. In a recent poll, 80 percent of Milwaukee parents using school vouchers described themselves as satisfied or very satisfied with the program. For many in the nation’s largest laboratory for school choice, no further studies are necessary.

**Readings**


