**Surface Wounds**

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This discussion is informed by Hess’s case studies of three cities where the conflict of economic theory and political-organizational reality could be observed firsthand. He concedes that these case studies are not intended to be definitive, suggesting that they may be thought of as “theoretically directed journalism” rather than “conventional social-science scholarship.”

Hess devotes two quite thorough chapters to describing the decade-long voucher experiment in Milwaukee. There, choice did not compel the school system to change its routines, but it did lead to a loosening of “bureaucratic procedures and organizational routines” that allowed some educational entrepreneurs to do their thing. Hess calls this the “pickax” response to choice—poking some holes in the system but not making any major changes.

Hess’s second case study focuses on the five-year-old voucher plan in Cleveland, where he finds that the potential benefits of choice and competition were neutralized by multiple factors, including frequent changes in leadership, the state’s move to take over the city’s schools, the modest size of the vouchers (only $2,250), and the existence of strong unions. As a result, he concludes that school officials saw vouchers as “a largely symbolic threat” and felt no need to respond.

Finally, Hess examines the three-year-old Horizon scholarship program in the Edgewood Independent School District of San Antonio. The program offers privately financed scholarships to low-income Hispanic students to attend public school teachers and managers. Educators tend to be driven by intrinsic motives, such as a “sense of calling,” that lessen the ability of supervisors to force them into a competitive mode. Losing students is not always a threat to public school teachers and managers. In fact, it can be downright attractive when enrollments are rising or when choice relieves them of disgruntled parents or low-performing students. When competition becomes bothersome, it can be handled with political responses, such as running advertising campaigns or creating new high-profile programs, that scarcely relate to educational performance. Moreover, school systems tend to reward the following of rules and procedures, which makes life difficult for those with an entrepreneurial spirit. Finally, education is an “unwieldy market good,” where it is difficult to define quality—or even to know it when you see it.

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Finally, Hess examines the three-year-old Horizon scholarship program in the Edgewood Independent School District of San Antonio. The program offers privately financed scholarships to low-income Hispanic students to attend
private schools. Edgewood shows, Hess writes, “how the districts may respond in ways that have little, if anything, to do with educational quality,” including a public-relations campaign, a management study, and the opening of an already planned Fine Arts Academy.

Hess uses these case studies to speculate on how choice might be introduced in ways that both respect the built-in political and organizational constraints of urban school districts and lead to school improvement. “The lesson is not that markets cannot drive more profound change in education,” he writes, “but that such effects will require changing the institutional and organizational context of urban schooling. . . . In short, making competition work as intended will require much more than the simple introduction of market mechanisms.”

Hess questions the pickaxe approach as a half-measure that cannot compel change or “alter the incentives that drive educational performance.” He likewise questions the workability and desirability of the alternative approach of “unchaining the bulldozer;” or moving to a ruthless competitive system oriented toward coercive accountability and other extrinsic incentives. (I find the metaphor a bit curious, since I have trouble picturing a bulldozer—not a bulldog—on a chain.)

On the matter of starting new schools, Hess suggests that, given the financial and other obstacles involved, the most likely source of choice entrepreneurs is people “operating out of religious obligation or a desire to reap a profit.” This observation fits the current scene. Channeling public funds to parochial schools was reportedly part of the political deal that established the Cleveland voucher plan (an observation that Hess curiously underplays in his narrative), and two-thirds of charter schools in Michigan are now run by education management organizations such as the National Heritage Academies.

Hess states at the outset that he is “not seeking to provide a definitive account of educational markets, but to launch a more useful conversation on the topic,” and he has achieved this goal. Economists have always understood that a variety of factors can interfere with the smooth functioning of markets, and Hess reminds us that the same principle applies to education markets as well.

Hess succeeds in posing a challenge to those who see choice and competition—the manipulation of incentives, if you will—as a way of improving schools without getting bogged down in the nitty-gritty issues of providing a quality education. “In fact,” Hess concludes, “educational competition cannot be divorced from discussions about testing, teacher certification, school district governance, educational administration, or other frustrating conversations that many school choice proponents have long wished to avoid. In the end, the fate of educational markets, for good or ill, is intertwined with broader issues of educational politics and policy.”


As reviewed by John Gardner

As a member of the Milwaukee school board, I am one of the officials responsible for the school district’s response to the city’s voucher program. I have helped to manage the changes necessary to make the district’s schools educationally competitive, and I have witnessed the ebb and flow of competitive responses and reactive managerial and political opposition. The Milwaukee school choice program and the response of Milwaukee Public Schools are especially significant in light of Frederick M. Hess’s study of the effects of competition on large urban school districts. One of Hess’s conclusions is that among the three American cities where vouchers have been tried, only Milwaukee has a program with the size, duration, and per-pupil payments to test the hypothesis that market competition can improve schools.

Hess’s other case studies include the state-funded voucher program in Cleveland and a privately funded scholarship program in the Edgewood district of San Antonio, Texas. He argues that the choice programs in Edgewood and Cleveland never grew large enough for the local school districts to really notice any loss of students or funding. The publicly funded Milwaukee Parental Choice Program, by contrast, has grown to almost 7,000 students by the 1998–99 school year, the final year of Hess’s study. This was at least a sign that a substantial number of students and parents were unhappy with the quality of the district’s schools. Yet Hess finds that even in Milwaukee the response of the school district was focused on buffing its image more than on actually improving the system.

In my opinion, Hess’s only limitation is his stopping point, the end of the 1999 school year. Up until then he has the story right. He argues that the leadership of the Milwaukee schools, the school board and the central office, attempted to respond with systemic and school-based reforms, but were perpetually thwarted by managerial and political constraints that he describes with chilling insight and accuracy. They—we—managed to liberate a handful of schools from managerial, contractual, and bureaucratic constraints that had stifled improvement and reform. Expanding these reforms to all schools was constrained by political and managerial constraints at all levels. The board was unwilling to take on the powerful teacher union in many instances when it most mattered. There
were not enough effective, entrepreneurial principals to turn around more schools. And the central office remained unresponsive and territorial, more threatened by innovative schools than supportive of them.

What the study’s stopping point leaves out are the revolutionary changes that occurred from 1999 to 2001. Despite a partial counterrevolution, these changes have been sustained. Schools now control 95 percent of the district’s funding, select their own teachers, and develop curricula to meet district and state standards. School budgets are based almost entirely on student enrollment, providing vigorous rewards and penalties for success or failure to attract students. The district’s central office is reorganizing to serve, rather than control, Milwaukee’s schools, in large part because the central office’s budget is increasingly based on funds that schools choose to allocate to it.

Standards now include annual testing in basic subjects in grades 3 through 8. Students must now pass proficiency exams in order to enter and graduate from high school, replacing the system of exams in order to enter and graduate from high school, replacing the system of exams. The number of previously oversubscribed specialty magnet schools has more than doubled. The number of previously oversubscribed specialty magnet schools has more than doubled. The number of popular K–8 schools has more than tripled. Before- and after-school child-care and youth recreation programs, once oddities within the system, are now in place in every elementary- and middle-school attendance area.

As a result of these and related changes, Milwaukee public school enrollment, parental satisfaction, funding, and academic achievement have all improved. Some of these changes may well have happened without the competitive challenge of school choice, but even choice’s most vigorous opponents concede that at least some of the district’s responses were produced by the threat of external competition.

Despite missing the revolution, Hess’s analysis remains sound and moves the voucher debate helpfully away from the rigidities of the state-vs.-market debate. Education markets in large urban settings, he argues, differ so much from market analysis that one must question whether they are, in fact, even markets.

Hess’s dispassionate, balanced analysis will disappoint both opponents and advocates of market-based education reforms. Hess is hardly a defender of urban public education’s failures. He is previous book, Spinning Wheels, documented with depressing consistency the cycle by which urban districts adopt reforms, begin implementing them, encounter roadblocks, abandon reforms before their failure becomes apparent, and develop new reform agendas before the deadline to evaluate previous failures. In some districts the cycle has become a ritual procession of superintendent firings and curriculum changes, endlessly deflecting attention from managerial competence, school performance, and public accountability.

At the same time, Revolution at the Margins will offer little comfort to promoters of market-based education reforms who believe that markets, by themselves, are the answer. Milwaukee demonstrates that markets alone did little to change the public schools. It was the combination of a new market environment and effective responses from the public schools that simultaneously expanded choices for poor families and improved both choices and performance within the Milwaukee public schools.

What remains constant, whether urban districts respond effectively or respond at all, are the constraints and skewed semi-market within which they operate. School districts are, after all, governments, not profit-making enterprises. Like all governments, they respond to political pressures and public opinion more than to market signals and competitive incentives. School board members, central administrators, school principals, and teachers rarely have any significant stake in whether their schools lose some students. Even teachers, in some ways the most vulnerable to perceived or actual reductions in funding, are buffered from market pressures because of the national shortage of teachers, especially in major cities.

School officials and employees are, however, intensely interested in the funds that state legislators and municipal governments authorize. Rather than take on the difficult and challenging work of winning loyalty and enrollment from low-income parents, school districts face much more powerful incentives to fight legislative, legal, and public-relations wars. These offer the simultaneous advantages of familiarity, expectation, and shifting the blame for failure elsewhere.

Also diluting the competitive responses of school districts are the limitations placed on the choice programs themselves. Capping the number of students who can participate in choice programs has kept school districts from suffering any severe drops in enrollment. Similarly, in all three cities it was never clear that enough money left the school districts as a result of student defections to generate any significant economic distress among central administrators, principals, or teachers.

Finally, there is the thorny issue of
what the goal of competition is. Do schools exist to teach specific skills or to serve a broad range of social functions, including socialization, assimilation, acculturation, and the provision of a panoply of community services? Has a school successfully responded to competition if it drops its arts program in order to raise test scores in math? In this context, it’s hard to tell who won the competition, or if the competition resulted in better outcomes for everyone.

Hess’s most important contribution is clarifying and redefining the debate. School choice will ultimately prevail or disappear based on how it affects entire urban populations, not just the small group of students who benefit directly from being able to attend private schools tuition-free. Like all markets, public education operates within a framework of governmental mandates, regulations, and finance, both direct and indirect. Like all governments, public education ultimately depends on private market choices and very public political decisions. Hess persuasively shows that if markets are to have significant and positive effects on public education in major American cities, two difficult political revolutions must occur. First, markets must be created intentionally, not simply by introducing external competition, but by changing the internal rules and operations of the public district. Second, districts must develop the political will and managerial competence to respond—transformations that will, in most American districts, require their own revolutions.

School districts face powerful incentives to fight legislative and public-relations wars.

—John Gardner is an at-large member of the Milwaukee school board. He was elected in 1995 and reelected in 1999.