IS PRIVATIZATION THROUGH EDUCATION VOUCHERS REALLY THE ANSWER?: A COMMENT ON WEST

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Government-financed school vouchers promise to improve consumer choice while still providing the public funding needed for families to invest adequately in their children’s education. But politically and in practice, the choice that vouchers offer can mean many things, from eliminating neighborhood residency as a condition for attending a public school to allowing groups of parents and teachers to form their own public schools (charter schools in the United States, for example). And it can mean an educational system that is in part publicly funded but that is privately owned and operated with no public regulation. Choice through vouchers can also produce undesirable side effects that more than offset their optimistic promises.

In this context, E. G. West presents a particular version of the case for vouchers. Although he allows for a range of possibilities, he puts primary emphasis on the privatization of education. This version of choice has to be distinguished from one that limits increased choice to public schools and from the use of vouchers to improve education for the poor. The three emphases are different, mainly in what they contend are the social benefits and costs of various degrees of choice. Whereas the case presented by West may appeal at an abstract level, I argue that the evidence supporting it is at best mixed and possibly negative.

The Foundation of West’s Claims

West’s argument for vouchers rests on a foundation of three claims that bear careful scrutiny. The first is that privately managed education is inherently more effective and more cost-effective than is public education. The second is that a privatized education system is more efficient than public education in improving the social mobility of youngsters from low-income families. The third is that the social costs of privatizing a public educational system are minimal.

If private education is not both more effective and more cost-effective than public education, extending vouchers to unregulated private schools might in-
crease the competition in false claims or symbols of success, but it would not support West’s claim of “reducing costs, increasing quality, and introducing dynamic innovation” (West, p. 85). Further, if the meaning of effectiveness is redefined to include the production of outputs other than measured learning and not in the public “charter,” private schools could be more effective than public schools and could increase some families’ private welfare but might not necessarily enhance the public good. For example, in the United States and many other countries, private schools can offer religious education, which is not legal in public schools. Religious training for their children is considered a benefit by some families. Yet the use of the tax funds for religious education could be contrary to the political principles of the vast majority of the national community and could increase the level of conflict over community goals.

And unless private education is more effective, its relevance to the principles of choice and personal advancement put forth by West is also less clear. West (p. 87) argues that a publicly monopolized education system restricts “good” schooling—that, in practice, even under an “open enrollment system” of public school choice, popular, more effective public schools declare themselves “full,” and poor schools continue to operate without threat of further competition. Thus extending vouchers to private schools would increase choice by expanding the number of good school places available. This implies that private schools are both more effective and more cost-effective than public schools, and that with private schools free to attract students, either they would not declare themselves full or, seeing a chance to make money, additional effective private schools would enter the market and expand the number of places available. The argument assumes the existence of (potentially) large numbers of private schools that are more effective than public schools. (Otherwise, new private schools would not emerge or would be unable to compete in the longer, or even medium, run with public education.)

It is possible that the inclusion of private schools in the voucher plan would expand the choice options, even with equally effective public and private schools. That possibility occurs, as noted above, if private schools can offer outputs that public schools cannot, such as religious education or guaranteed admission to a university or a job in a particular company.

West contends that a privatized system of education has even greater positive consequences for poor families than for wealthier families, because it would equalize the distribution of educational quality and educational outcomes among families with different incomes. He also argues that extending vouchers to private schooling would have few and only minimal negative consequences. In West’s discussion, these two claims are related, because potential downsides to privatization are closely linked to negative distributional effects, namely, harm to the public school system and windfall gains to middle- and upper-income groups. West contends that existing voucher plans have resulted in little, if any, negative impact on public education and perhaps have even had a positive result because they have increased competition. Further, he suggests that negative dis-
tributive effects could be handled by limiting vouchers to low-income families, as is the case in some countries. But this caveat is inconsistent with his more general claims for privatization. Limiting vouchers to low-income families restricts choice, which contradicts the choice principle for vouchers. In any case, the main reason to argue for a voucher plan limited to low-income families is to protect against the likelihood that a free market in education for all families would produce greater educational inequality than a public school system.

If the main issue is improving the education of low-income children, privatization through vouchers has both positive and negative aspects. On the positive side, it draws attention to the poor quality of many public schools in low-income areas and may benefit more highly motivated families. Gary Becker (1995) argues that “the best voucher system is limited to poor families” because “the bottom quarter or so of the population are most in need of better education, and the poor are most likely to benefit from competition by private schools.” I agree that if a voucher system were limited to the poor, the poor could benefit, although not necessarily because access to private education would raise their test scores. Studies comparing Catholic with public education in the United States suggest that Catholic schools give students from low-income families a better self-concept, but not much higher test scores (Bryk, Lee, and Holland 1993). The objective of such a voucher system, however, would be to alleviate poverty, not to increase school choice or privatize schooling. Politically, this distinction is important. On the negative side, such a voucher plan diverts attention from the much larger investment that societies need to make in low-income children to overcome the effects of poverty on school achievement.

Is Private Education More Effective?

As West has noted, a number of voucher plans are in operation, but only two—Chile and Milwaukee, Wisconsin—have data that attempt to compare academic results for voucher pupils attending public and private schools.

Evidence from Chile

The Chilean plan, implemented by the military regime in 1980 as part of an overall free-market package, provided for fully subsidized deregulated private schools, which competed head-on for pupils with deregulated public schools in all metropolitan neighborhoods. But because few rural areas have any private schools, children in these areas (more than a fourth of Chile’s municipalities) attend only public schools (Winkler and Rounds 1993). The Chilean plan revoked teachers’ contracts and eliminated the teachers’ union as a bargaining unit, so by 1983 public schools could hire and fire teachers without regard to tenure or union contracts. At the same time, all schools were released from the rigid structure defining the national curriculum and national standards.
What were the results? The first was that even when parents’ contributions are included, total real spending on education fell in the 1980s. In 1985 the federal contribution was 80 percent of total spending on education, and total spending was 5.3 percent of gross national product (GNP). Five years later the federal portion was 68 percent of the total, which had fallen to 3.7 percent of GNP. So municipal and private spending rose but not quickly enough to offset an 18 percent drop in real federal contributions. Most of the decline came at the secondary and university levels, where public spending per pupil dropped drastically, but by the late 1980s spending cuts had also affected primary schools. The middle- and upper-income groups made up the shortfall in two ways: first, more prosperous districts were able to spend more on public schools than were poorer areas; and second, parents in wealthier areas whose children attended private schools could supplement their vouchers with higher add-on fees than could parents in poorer districts.

The second result of Chile’s voucher program was that higher-income families were more likely to use the vouchers for private schools. In 1990, nine years after the voucher program was established, 72 percent of families in the lowest 40 percent of the income distribution attended public schools. Among the next-highest 40 percent, 51 percent of families sent their children to public schools (and 43 percent to subsidized private schools). Of families in the top 20 percent of the income distribution, only 25 percent sent their children to public schools, 32 percent used subsidized private schools, and 43 percent sent their children to (nonvoucher) private schools.

The third finding was that there was no improvement in student achievement, contrary to predictions by voucher proponents. For example, an evaluation based on nationally standardized (although not strictly comparable) achievement tests in Spanish and mathematics found that the scores of fourth-graders declined between 1982 and 1988. Beyond these general averages, all the results reported by socioeconomic class have to be considered tentative, because test scores are reported only as school averages, and the socioeconomic level of the school is based on a questionnaire given to school administrators. Keeping such limitations in mind, comparisons across socioeconomic levels suggest that students in lower-income public schools recorded the sharpest drop in test scores, but scores of students in lower-income subsidized private schools also fell (Prawda 1993). Students in the middle—socioeconomic level schools had small increases in test scores whether they were in public or subsidized private schools.

One estimate of the means of the 1990 national test showed an increase of 9 percent in Spanish and 11 percent in math, bringing these scores to about the same level as they were in 1982 (Rounds Parry 1994). Another estimate showed declining test scores for all groups between 1988 and 1990 (Espinola 1993). Both Rounds Parry and Espinola agree that pupils in middle—socioeconomic level schools averaged higher scores in private than in public schools, but that pupils in the lowest-level schools tended to do better in public schools. There is general agreement that private subsidized schools tend to “cream” (select) the
better pupils. Thus these results may show only that private schools in middle- and even lower-middle-income areas are more successful at selecting academically capable pupils than are private schools in low-income areas. The way the data are collected makes correcting for such selection bias difficult, if not impossible.

In 1990 Chile’s newly elected government increased spending on education and raised the value of the voucher. Low socioeconomic–level schools were singled out for targeted spending and technical assistance (Comite Tecnico 1994). According to Ministry of Education figures, test scores rose across socioeconomic levels in both public and private schools between 1990 and 1992 and leveled off over the next two years. So after thirteen years (1981–94) of a national voucher plan, student achievement levels are probably back to where they were in the early 1980s, or perhaps slightly higher. Pupils in private schools that draw from higher socioeconomic levels tend to have higher scores than those in public schools of the same socioeconomic level. Yet, absent any correction for selection bias, the higher scores for these private schools do not constitute evidence that they are more effective.

It is generally agreed that public schools in Chile cost more per pupil in government funds than do subsidized private schools (Winkler and Rounds 1993), because class sizes are somewhat higher in private schools (Comite Tecnico 1994). Based on public spending per pupil, the only attempt to estimate the relative cost-effectiveness of Chilean public and private schools shows a small advantage for private education. But subsidized private schools—particularly those in middle-class areas—charge fees in addition to vouchers, and all private schools require uniforms and other family expenses not demanded by municipal schools. Estimates of these additional costs are not available for Chile, but based on studies in other countries, they could be as high as a third of the total costs of schooling, even at the primary level (Carnoy and Torres 1994). This raises the complex issue of biased estimates of private versus public schools costs (see Tsang and Taoklam 1992; Tsang 1996).

**The Milwaukee Case**

In Milwaukee qualifying low-income pupils received a $2,500 voucher (by 1995–96 the amount had risen to $4,375) to attend nonreligious private schools. More qualified pupils applied than could be accommodated, so acceptances were issued by lot. An evaluation of the academic performance of private-school voucher pupils and public school students of the same socioeconomic background (corrected for selection bias) found no significant difference in outcomes between the two groups, whether the students had been in private school for one, two, three, or four years (Witte, Thorn, and Prichard 1996). This result is especially strong because the sample of those who had been in private schools for more than a year was increasingly self-selected. Several students who began in the private schools in the first year of the program later either moved or chose to
return to public schools (the attrition rate was 30 percent). In addition, several of the original private schools closed, forcing voucher students to return to public schools. As a result only the most motivated students in the successful private schools remained after four years.

Another recent study, by Greene, Peterson, and Du (1996), estimates significantly higher test scores for third- and fourth-year voucher students compared with students who had applied to the voucher program but had not been accepted in the lottery; this was true, however, only in the case that socioeconomic background differences are not corrected for. They claim that their study makes a true correction for selection bias because it compares voucher students with an identical group of students who had qualified for the voucher program and thus were equally motivated and met the low socioeconomic requirements of the voucher plan. Witte (1996) argues, however, that the Greene-Peterson-Du methodology is never fully specified and appears to be flawed and that once socioeconomic status is controlled for, the differences in test scores are no longer significant.

On average, the private elementary schools in Milwaukee’s choice program seem to have provided instruction at lower cost than did the public schools, at least in the first years of the program. The cost data are not strictly comparable, however, because private school tuition fees do not reflect the real cost per pupil. But as teachers in the private schools were paid about a third less than those in public schools and class size was approximately the same, the implication is that the unit costs for private schools are about a third less than those for public schools. Because test scores do not differ across comparable groups, this means that private schools were more effective than public schools. However, salaries of teachers in private schools have apparently risen more rapidly than those of public-school teachers. At today’s $4,375 voucher, per-pupil costs in private schools appear to be approximately the same as those in Milwaukee’s public elementary schools.

Is Private Education Better for Low-Income Students?

In a review of the European situation, John Ambler (1994, p. 470) argues that in Britain, France, and the Netherlands “the primary negative effect of school choice is its natural tendency to increase the educational gap between the privileged and the underprivileged.” The Netherlands is especially interesting because about 70 percent of pupils attend fully subsidized private schools. There are waiting lists to get into the “better,” more selective schools, which charge fees on top of the voucher subsidy. To make lower-income, “disadvantaged” pupils more attractive, the government provides them with a voucher that is 25 percent more than the average. Even so, the students who end up in municipal (public) schools are mainly those lower-income pupils (with the larger vouchers) who still cannot attend the more desirable schools.
In Chile private schooling is widely available to lower-income families in urban municipalities, but, as argued above, analysis of test scores suggests that pupils from such families may have gained least from the privatization process. Although West claims that privatization helped expand Chile’s secondary education (secondary education did expand rapidly in the 1980s), and therefore increased social mobility for low-income Chileans, there is no evidence that secondary education would not have expanded even more rapidly through public education, as it did in many countries of Latin America and Asia in the 1970s and 1980s. After Haiti, Brazil has the most privatized secondary education system in Latin America, and access by low-income pupils is highly limited.

Colombia’s voucher plan is also targeted at students from low-income families. It serves those who could not qualify academically for free public secondary schooling, but whose families are willing to pay the tuition at private schools over and above the voucher. There appears to be little “substitution” effect, which means that the plan really does expand the number of places available to low-income students, and in its first years, the plan is allowing most of these otherwise academically excluded students to attend traditional private parochial schools that have excess capacity and relatively high academic standards. Those students undoubtedly benefit from the voucher plan. But once the capacity of existing schools is reached, private schools of much lower quality may open for business. This is already a problem, and the Colombian government has stepped in to regulate these schools (Calderon 1996). Is expanded low-quality private education paid for by government funds superior in any way to expanded (and possibly low-quality) public education costing about the same? Vouchers could have a high payoff for the “best” group of excluded low-income students up to the point at which they can be absorbed by existing higher quality private schools, but beyond that, payoffs could decline rapidly.

Is There a Downside to Privatization?

West argues specifically that there is little to lose from privatizing education and much to gain. Although there is no convincing evidence that the gains exist, that does not mean privatization should not be tried. That is, unless it could also lead to a net social loss.

One possible loss is greater inequality. Evidence suggests that privatizing education through vouchers for all pupils may produce a more unequal distribution of educational quality and choice than under a predominantly public system. If the choice to attend a private school is not equally distributed across the population (as is the case in Chile and in Europe), private (and even public-school choice plans) might widen the divide between urban and rural and between lower- and higher-income students (Levin 1995). Chile’s voucher plan appears to have widened the gap between high- and low-income students in terms of test scores without increasing the overall level of academic achievement. It also re-
duced government efforts to improve schooling, in part because the free market was expected to increase achievement. Only after the central government intervened with increased in-service training, new curriculum standards, and technical assistance to low-income schools did achievement levels appear to increase across the board.

Better private schools for middle-class pupils may produce higher test scores than do public schools, but mainly by keeping out hard-to-manage or less-motivated pupils. As Winkler and Rounds (1993) report, parents in Chile select schools mainly on the basis of the characteristics of the pupils that already attend those schools. Willms and Echols (1992) found the same behavior in Scotland, where a choice plan allowed parents to select from among public schools. But private schools are not uniformly exclusive or effective; some accept (and keep) less-motivated or less able youths who score poorly. Why would parents send their children to such schools? One answer to this question is that because some private schools are associated with a higher social stratum and higher test scores (not necessarily because they are more effective, but because they limit enrollment), their reputation could rub off on all private schools. Winkler and Rounds (1993) cite an unpublished experiment in which changing the school name from Spanish to English and introducing school uniforms in public schools (techniques used by private subsidized schools in recruiting pupils) increased enrollments in public schools.

West could claim that well-informed parents would soon withdraw their children from less effective private schools and reenroll them in public schools. But that might not be the case if vouchers had a negative effect on public schools. If, for example, private schools attract the better students from public schools, the latter will increasingly be seen as suitable only for low-income or slow students. West argues that there is no such effect, but he falls back on evidence from voucher plans that cater only to less able, low-income youths, such as those in Milwaukee and Colombia. West cites Witte’s assertion that private schools in Milwaukee did not draw the “cream of the crop” or help those who needed help the least as evidence that private schools would not do either under a generalized voucher plan. But the voucher plans in Milwaukee and Colombia are restricted to those very low-income pupils who need help the most. Other students could not qualify for vouchers. Witte was simply reporting that the objectives of this restricted plan were being met and that those low-income students who were dissatisfied with the public schools and so participated in and stayed with the program were, by and large, satisfied. But recent attempts by the State of Wisconsin to offer vouchers to the school population as a whole have prompted concern in Milwaukee’s African-American community, which back the targeted voucher plan, that the broader eligibility will favor higher-income families (Miner 1995).

School choice, after all, is also affected by the costs of transportation and by how much parents know about various schools. West implicitly assumes that neither is a factor in determining the alternatives available. Yet studies of choice
plans in both education and health care suggest that the location of alternatives is crucial and that the higher the income of the consumer, the more quality, rather than location, plays the key role (Elmore 1990). Those who are better off can provide or pay for private transportation for their children to a wider range of school locations, so the same voucher for all means more restricted access for the poor.

Similarly, less-educated families are less likely to search out and use information on the quality of educational alternatives. This does not mean that less-educated families are not aware of the quality of their children’s education, particularly if that education is especially poor or especially good. Rather it suggests that choice systems “require substantial information on alternatives in order to support effective decision-making . . .” and that “education is a complex service in which even those with more sophistication must rely heavily on word-of-mouth and interpretation of incomplete data on school quality” (Levin 1995, p. 10). Proponents of privatization sometimes characterize the view that less-educated parents have less information as “elitist,” but all the empirical evidence suggests that it reflects reality. “Studies of parental information on choice show that less educated, minority, and lower-income parents are often unaware of their choice options and are not cognizant of differences among schools of choice . . . [and] studies have consistently shown that . . . the lower the socioeconomic status of a family, the less likely that it will ‘choose’ the school attended by its offspring . . .” (Levin 1995, pp. 11–12).

Thus introducing competition between private and public schools (and even among public schools) may actually exacerbate inequalities in the educational system. By increasing the incentive to rely on public relations techniques (such as changing to an English name) that have nothing to do with the school’s effectiveness, the free market preys on a less-educated clientele. The idea that increased competition in the production of complex, difficult-to-define products, such as education, automatically increases social welfare is simply wrong. This is especially true where private profit is the driving force behind the competition. That is why governments have been called upon to regulate private education and protect the public interest in the voucher plans cited here.

It is also possible that privatizing education could reduce the incentives of the politically powerful middle class to push for more resources to education. Although these parents would allegedly still have an interest in raising the average amount of the voucher to offset the cost of private (or public) education, it is also possible that private schools could raise their fees as the vouchers increased in value. When vouchers were introduced in Sweden, for example, the private schools that previously charged tuition raised their fees by 9 percent (Miron 1993).

Furthermore, a privatized system could affect the distribution of public money, shifting funds from teachers’ compensation to private school operators. Between 1983 and 1990, teachers’ salaries in Chile dropped sharply, especially in the more privatized secondary school system. The decline was partly the result of a
steadily lower voucher value, but it was also related to the profits marked for the owners of the schools. Although many would applaud lower salaries for teachers as one way to make education less costly, this approach is not necessarily more cost-effective. Teachers are crucial to improving education. If labor markets work properly, lower salaries for teachers will attract less talented people. Because teaching conditions are usually more difficult in schools with low-income pupils, the effect of reducing teacher pay could have its greatest impact on such schools.

In an analysis of Great Britain’s 1980 public-school choice law, Willms and Echols (1992, p. 347) concluded that the moderate gains that may have been achieved through contextual effects when children went to better schools may have had high costs for the educational system as a whole:

Schools serving pupils in disadvantaged areas will be receiving incorrect signals; many of the them will lose pupils to higher SES [socioeconomic status] schools despite effective teaching practices. Some high SES schools will also receive incorrect signals, because many parents are choosing these schools even though their performance is mediocre or poor when compared with schools with similar social class intakes.

Privatization or Public Improvement?

There is no persuasive evidence that private schools are more effective than public schools and the evidence that they are more cost-effective is mixed. Moreover, not every income group’s welfare is raised through increased choice. Even if satisfaction and educational attainment were raised in absolute terms, a loss in relative position could make lower-income groups feel worse off than before. Unlike income, the absolute level of education or even quality of education attained is probably less important than the relative amount and quality of education an individual or group attains, since the payoff associated with a given level of education declines rapidly as a large fraction of the population attains it (Carnoy 1972).

West would limit vouchers to low-income families and restrict privatization to the poor as a means of equalizing an otherwise unequal system. This is a good answer to the distribution of choice problem, but it does not address the question of effectiveness. Private schools do not seem to improve the achievement of pupils from low-income families any more than they do for the pupil population as a whole. Even so, data from Milwaukee and Colombia suggest that a voucher program limited to the poor could make low-income families feel better off than they would if the present system of education were left untouched. Yet limiting vouchers to poor families contradicts the broader argument of privatization advocates.

The voucher question boils down to how societies feel politically about the responsibilities and role of the state in education. The political judgment that
the public sector is not capable of adequately providing education but should
finance it supports the view that vouchers for private education are appropriate
even if they are unlikely to improve the average level of learning. Many of the
arguments against privatizing education can be applied to public choice plans,
such as Scotland’s. So implementing a voucher plan that allows parents to send
their children to public schools outside of their neighborhoods or to regulated
“charter” schools that serve niche markets within public school districts is also
a political decision, one that is bound to favor certain groups more than others.
If a society wants to offset the effects of family poverty on children’s education,
it could use vouchers limited to the poor as one element of an antipoverty pro-
gram. If a society is convinced that both dissatisfied and more inert parents are
better served by efforts to improve neighborhood public schools than by efforts
to provide exit options to the dissatisfied, it should focus on improving public
education.

I would like to believe, with Professor West, in a panacea that could make
everyone learn more without investing enormous time and effort in improving
children’s nutrition, home lives, and the way all schools deliver knowledge. Our
task as educators and social reformers would be that much simpler. Unfortu-
nately, vouchers tend to divert attention from the overall complexity of the
learning problem rather than providing a real solution.

Note

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