



PHOTO / JOHN LESHOF

## Competition and Charters Spur Innovation

*School markets are creative,  
not static*

“It is in the nature of markets that some succeed, some are middling, and others fail.” That is the static view of the marketplace that induced Diane Ravitch, in her new book, *The Death and Life of the Great American School System*, to turn against accountability, charter schools, and school choice.

Economist Joseph Schumpeter saw it another way. In his view, it is in the nature of markets that good producers “creatively” destroy firms of the middling variety, then are eliminated themselves by still better competitors. Few doubt that the public school today is a troubled institution. If school districts were firms operating in the marketplace, most would quickly fall victim to Schumpeter’s law.

Yet Ravitch sees no hope for choice and competition in education, asking us to leave public schools alone apart from articulating voluntary national standards without holding anyone accountable for meeting them. She blames the sad state of affairs on events occurring long after schools had stagnated: a federal law, No Child Left Behind, enacted in 2002; mayoral governance recently instituted in a few cities (see “Palace Revolt in Los Angeles?” page 20); and a small number (4,638) of charter schools that—despite steady growth—still serve less than 3 percent of the nation’s students.

According to a 2009 *Education Next* survey, the public approves steady charter growth. Among African Americans, those favoring charters do so by a four-to-one margin. Even among public school teachers, the percentage favoring charters is greater than the percentage opposed.

A school can have short-term popularity without being good, of course. The best studies of school quality are randomized

experiments, the gold standard in both medical and education research. Stanford’s Caroline Hoxby and Harvard’s Thomas Kane have organized randomized experiments that compare students who win the charter lottery with those who applied but lost. The students lucky enough to win the lottery and be admitted to a charter school subsequently scored higher on math and reading tests than did those who lost the lottery and remained in district schools.

What makes charters so important today is not so much their current success, on average, but their long-term potential to innovate. When RCA sneered at transistor radios, Sony captured the audio market by first putting out tinny pocket transistors for teenagers, then expanded its base with steady technological improvement. In a decade or two, RCA fell victim to Schumpeter’s law.

Educational opportunity is about to be revolutionized by powerful notebook computers, broadband, sophisticated cooperative and competitive game playing over the Internet, curriculum in three dimensions, and the open-source development of curricular materials. If American education remains stagnant, the innovations will spread slowly, if at all. But if the charter world continues to expand, the conditions ripen for competition among charters, districts, and state virtual schools that can be truly transformative. It is “in the nature of markets” that those who make the best use of new technologies will become dominant—to the benefit of us all.

A handwritten signature in black ink that reads "Paul E. Peterson".

— Paul E. Peterson

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**MISSION STATEMENT** In the stormy seas of school reform, this journal will steer a steady course, presenting the facts as best they can be determined, giving voice (without fear or favor) to worthy research, sound ideas, and responsible arguments. Bold change is needed in American K-12 education, but *Education Next* partakes of no program, campaign, or ideology. It goes where the evidence points.

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