A Nation at Risk’s most fatal flaw was its faith in the American education system’s ability to act on its recommendations. The authors of Risk believed that the system was mainly in need of internal reforms: tougher coursework and graduation requirements, higher and more flexible salaries for teachers, a longer school day and year. Despite its origins within the Reagan administration, the National Commission on Excellence in Education didn’t even regard market-based reforms as sufficiently important to include them among the scores of topics on which it contracted for background research.

This thinking quickly proved to be shortsighted. In 1982, James S. Coleman, perhaps the most significant academic figure in education policymaking of the past 50 years, produced a study, with Thomas Hoffer and Sally Kilgore, demonstrating that students perform better in private schools, and particularly Catholic schools, than in public schools, all else being equal. Coleman and his colleagues also showed that Catholic schools, more than public schools, approached the “common school” ideal of serving all children equally. A follow-up study in 1987 reinforced these findings, showing that private school attendees fared better after high school than their public school counterparts. Coleman attributed this to the greater sense of community in private schools, a feature he labeled “social capital.” Taken together, the findings suggested that policymakers ought to consider providing public support for education in private schools.

Coleman’s research focused on the attributes that made private schools more effective. The question was, What caused private schools to develop such attributes more successfully than public schools? A 1990 study, Politics, Markets, and America’s Schools, performed by this author and Terry M. Moe, attempted to answer that question. We concluded that private schools tend to outperform public schools because the market environment in which private schools operate is far more conducive to success than the political environment in which public schools function.

The study found that market forces systematically promote the very attributes that,
Shanker’s way of saying that the union could see the virtue of a more market-like system if it were carefully controlled and if teachers played a central role.

Charter schools also appealed to the first Bush administration’s fascination with “break the mold schools,” exemplified by the New American Schools initiative. Private schools, effective as they might be, were not being touted for their inventiveness. If anything, their no-nonsense traditionalism was the main attraction. Charter schools offered something different: the prospect of new approaches to schooling. Charters enjoyed further appeal because they fit with the popular notion of “reinventing government.” Charter schools offered a way to improve a government service by making it more entrepreneurial instead of simply turning the service over to the private sector.

The growth of charter schools has also fueled the growth of school management firms (and vice versa), another key to the transformation of education through market forces. In 2002, private for-profit firms ran an estimated 370 public schools in the United States. How did private management, scarcely an idea in 1983, grow so rapidly? Because the ensuing 20 years created a market for them. This is important to appreciate, for critics of school choice often ask where students are going to go once the “good schools” are all full. Critics want evidence that a market for schools will generate a new and improved supply of schools. Charter schools and private managers provide that evidence.

Charter schools created a vehicle through which for-profit managers could enter the market for new schools. Although most states require charter holders to be nonprofit entities, they permit charter holders to contract with for-profit firms for various goods and services, including the comprehensive management of schools. For-profit companies can easily enter the market by assembling a nonprofit board to serve as a partner. Charter boards also seek out management companies. Opening and running a school can be a daunting task, one that part-time boards often delegate to professional managers.

But this is only one source of for-profit growth, and in the long run perhaps not the more important source. Private companies are beginning to run schools for public school districts. In the years since A Nation at Risk, public school systems have come under tremendous pressure to improve. Private management companies have responded to these pressures by offering comprehensive reform packages that districts can contract to be implemented in schools that either need or want to try major reform. Contracting enables a school district to introduce new and improved choices for families who might be thinking of switching to a charter or private school—and to do so quickly. Contracting also enables a district to assign schools with particular academic challenges—say, the lowest test scores—to a private manager, while devoting its energies to district-wide improvements.

Forty companies were in the business of education man-

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Creating Movements

These studies gave intellectual inspiration and firepower to a generation of political leaders, scholars, and activists who committed themselves to market-based reforms as a strategy for school improvement. They succeeded in creating small publicly funded voucher programs in Milwaukee and Cleveland and a network of privately financed scholarship programs in other cities nationwide. Altogether, nearly 60,000 students were attending private schools instead of public schools with public or philanthropic support in 2002. And the Supreme Court’s 2002 decision in the Cleveland voucher case lowered a major barrier to the expansion of publicly funded programs; namely, the chance that they might be declared unconstitutional because of an excessive entanglement between government and religion.

At the same time, the charter school movement was creating markets in several states and cities. The movement benefited greatly from the support of Albert Shanker, the late president of the American Federation of Teachers, who introduced the idea in a 1988 speech. He argued that teachers should be granted charters to run public schools of choice, free from the regulations that frustrate teachers, but subject to strict accountability requirements. Shanker, a rare visionary among union leaders, was looking for a bold way to respond to escalating demands for radical school improvement. Charters were

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according to Coleman, are characteristic of effective schools. The competitive pressures of the marketplace, where families can take or leave a school, lead schools to organize in ways that please families. Schools subject to market pressures tend to develop clear missions (parents know what the school stands for), focus on academics (parents want to see their children learn), encourage strong site-based leadership (great schools are headed by principals who take charge of student achievement), and build collaborative faculties (great schools make achievement a team effort).

By contrast, the political forces that surround public schools—particularly schools in troubled urban systems—tend to promote excessive bureaucracy and to impede the development of the qualities that schools need to succeed. School missions get diluted by repeated rounds of school reform; academics get crowded out by new policy goals; principals become middle-managers carrying out the programs chosen by district administrators; and teachers become “labor,” fulfilling contractual obligations instead of doing whatever is necessary to succeed. These are only central tendencies, to be sure. Markets tolerate a certain number of terrible private schools, and politics produce many exemplary public schools. However, to the extent that politics and markets cause schools to tend sharply in different directions, the central tendencies are extremely important.
Creating a Market

Nonetheless, if market-based reform is to realize the potential it has begun to demonstrate in the years since the release of Risk, policymakers must take additional measures both to promote it and to guide it. Markets are not perfect. They must be carefully watched if they are to be fair and effective. The keys to creating an effective market in education are:

• The states’ continuing development of accountability systems for public schools. Accountability systems provide the information and data necessary for parents to make wise choices. For each school, states must report their standardized test scores, college entrance exam scores, graduation rates, and student attendance. States should report how a school’s test scores and test-score gains compare with the scores and gains of demographically similar schools across the state and locally. States should also provide information that might bear on the ability of the school to do a good job—for example, the percentages of teachers with degrees in the subject they are teaching and teacher attendance rates. Opponents of school choice worry that only savvy parents will make good choices. States can ensure that all parents are able to make good choices by providing them with the right information.

• Enabling charter schools to compete vigorously and fairly with district schools. States must remove all limits on the number of charter schools that may operate in a state or locale. Let families and the marketplace decide what the right number of charters should be. If traditional public schools are doing their jobs, charters will not experience explosive growth. In addition, states should not give local school systems the ability to veto charter applications within their jurisdictions. States should allow public bodies not tied directly to the education establishment—for example, public universities—to grant charters. Charter schools should also be supported financially at the same level as district schools, including funds for facilities.

• Enabling district schools to compete effectively with charter schools. States must relax the regulations governing curricula, textbooks, teacher certification, staffing, minutes of instruction, and anything else that is substantially relaxed for charter schools. In the end, health and safety regulations, nondiscrimination requirements, and academic standards should compose most of the state regulatory regimen. In opposing choice, traditional public schools have often argued that regulation makes competition unfair. Precisely: let’s give all schools the flexibility to shape their programs in the best interests of their students and compete for their support.

• Capturing the benefits of private schooling. Any effort to revitalize American education by putting more power in the hands of parents should not overlook the country’s rich resource of private schools. Roughly one in nine students in the United States is educated in a private school. Most of these schools educate a cross section of students and operate for a fraction of what public schools spend. Catholic schools are a prime example. In America’s inner cities, private schools offer the only immediately available alternative to district schools. Charter schools will spring up in time, but meanwhile states should provide vouchers for private schools. These vouchers should be limited to low-income families, since they are the ones most desperately in need of choices. The voucher should be for less than the per-pupil allocation to charter schools—say, 15 percent less—since the main objective is to promote the growth of charter schools, not private schools. Private schools should be required to take vouchers as payment in full for their services; private schools should not be permitted to discriminate against families who are unable to top off the tuition with personal funds. Private schools should also be required to administer whatever tests are part of the state accountability system, if a majority of a school’s students attend with the benefit of vouchers. However, private schools should not be held to any other accountability standards that might apply to charter schools. In an education marketplace brimming with information, private schools will need to persuade families of their worth. Private schools should therefore be trusted to provide ample information about their performance on their own.

These recommendations are not mere school reforms. These recommendations promise fundamental change in the way the American education system operates. They promise to strengthen public education by making it more accountable for student achievement, more attentive to the wishes of families, and more innovative in its use of scarce resources. They promote the influence of market forces but keep democratic authority ultimately in control, regulating the market for the public good. In the end, progress on the goals enumerated in the Risk report will depend less on the reforms it advocated than on reforms that it failed to anticipate altogether.

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