

EFFECTIVENESS OF SCHOOL CHOICE

The Milwaukee Experiment

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School choice or voucher plans in which parents can use public funds to select the public or private school their children attend have been receiving serious consideration as a means to improve the quality and efficiency of educational services. Although there are theoretical reasons to believe that choice and competition in schooling might be beneficial, little high-quality evidence has been available to substantiate or refute them. The evidence in this article about the school choice experiment in Milwaukee provides a unique opportunity to learn more about the effects of voucher programs.

The Milwaukee experiment is unique in that it is the first publicly funded voucher program in the country and the only one with several years of results. The Milwaukee experiment is unique in that vouchers were assigned by lottery when classes were oversubscribed. The analysis of the randomized experiment avoids the selection bias of comparing choosers to nonchoosers that has plagued other studies of choice in education. The Milwaukee experiment is unique in that it offers a hard test of choice theories because of the numerous constraints under which the program operated.

Privatization may enhance efficiency in education in three different ways. First, competition among providers may reduce the cost and improve the quality of services (Arrow, 1951; Dearden, Ickes, & Samuelson, 1990; Schmookler, 1966). Second, government-financed services may more closely match consumer preferences, if consumers have opportunities to sort among an array of options (Bish, 1971; Tiebout, 1956). Third, private producers may more easily enlist the participation of consumers in the coproduction of the services, thereby enhancing service quality and effectiveness (Ostrom, Parks, & Whitaker, 1978).

If school choice could significantly improve the quality of education, the political and social benefits would be more than trivial. Apart from cash-transfer programs, education is the largest publicly provided service in the United States.¹ In 1990, the cost of publicly financed education services constituted \$305.6 billion, or 5.6% of the gross national product (GNP) (Peterson, 1995b).

Public confidence in public schools remains very low. In 1993, only 19% of the population gave schools a grade of A or B, a fall of 8 percentage points since a decade earlier. Weak confidence in public schools may be due to their failure to keep pace with rising public expectations. Estimated real costs adjusted for inflation within the educational sector rose by 29% or an annual rate of 1.5% between 1974 and 1991.² Meanwhile, student test score performance, an important educational outcome, remained fairly constant. Between 1970 and 1992, the elementary and secondary students averaged no more than a gain of .1 of a standard deviation in mathematics and reading on the National Assessment of Educational Progress, generally thought to be the best available measure of student achievement. Meanwhile, their scores in science fell by .24 standard deviations (Hedges & Greenwald, 1996). Increasing costs with at best slight gains in student achievement suggest that the public school system has become less efficient.

Opportunities for efficiency gains are particularly large in central cities. Whereas competition among small school districts exists in suburban parts of many metropolitan areas (Minter-Hoxby, in press; Peterson, 1995a; Tiebout, 1956), most city schools are governed by a single school board that does not ordinarily allow schools to compete for students (Peterson, 1990). Schools in rural areas often function as community institutions, facilitating coproduction, but city schools have more limited ties to their immediate neighborhoods. Perhaps for these reasons, educational outcomes lag behind those outside the central city (Belluck, 1997; Mitchell, 1992; Peterson, 1993).

Some (Herrnstein & Murray, 1994) argue that any efficiency gains are unlikely to result in higher student achievement because cognitive skills are either inherited or set in place at an early age, making them hardly susceptible to manipulation by educational processes. But the weight of the evidence is in the opposite direction; numerous studies have found that school characteristics affect student achievement (Card & Krueger, 1992; Cirrito & Peterson, in press; Hedges & Greenwald, 1996; Jencks & Phillips, in press; Mayer & Knutson, in press; Meyer, in press).

If these findings are correct, it may be hypothesized that if government grants are made available to families so they can purchase educational ser-