Reinventing Public Education *in* America

BENNO C SCHMIDT JNR

THE SIR RONALD TROTTER LECTURE

2001

NEW ZEALAND BUSINESS ROUNDTABLE

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The Sir Ronald Trotter Lecture

SIR RONALD TROTTER was the first chairman of the New Zealand Business Roundtable in its present form, a position he held from 1985 to 1990.

Among his many other roles he has been chief executive and chairman of Fletcher Challenge Limited, chairman of the Steering Committee of the 1984 Economic Summit, a director of the Reserve Bank of New Zealand, chairman of the State-owned Enterprises Advisory Committee, chairman of Telecom Corporation, chairman of the National Interim Provider Board, a chairman or director of several major New Zealand and Australian companies, and chairman of the board of the Museum of New Zealand Te Papa Tongarewa.

He was knighted in 1985 for services to business.

This lecture was instituted in 1995 by the New Zealand Business Roundtable to mark Sir Ronald Trotter's many contributions to public affairs in New Zealand. It is given annually by a distinguished international speaker on a major topic of public policy.

The seventh Sir Ronald Trotter lecture was given by Professor Benno Schmidt at the Crowne Plaza Auckland on 19 December 2001.

Benno C Schmidt, Jnr

PROFESSOR BENNO SCHMIDT is the chairman and chief executive officer of Edison Schools, a company listed on the New York Stock Exchange and the leading private manager of public schools in the United States.

From 1986 to 1992 he was the president of Yale University. Before joining Yale he was dean of Columbia University Law School.

Professor Schmidt is one of America's leading scholars of the Constitution, the history of the US Supreme Court (he also served as law clerk to Supreme Court Chief Justice Earl Warren), the law of freedom of expression, and the history of race relations in America.

Introduction by Roger Kerr

executive director

New Zealand Business Roundtable

I AM DELIGHTED TO INTRODUCE Professor Benno Schmidt to you tonight.This is the seventh Sir Ronald Trotter Lecture. The series was inaugurated in 1995 to recognise Sir Ron's role as the Business Roundtable's founding chairman and his many contributions to business and public affairs in New Zealand. We are delighted that Sir Ron is with us this evening.

The purpose of the lecture is to feature an outstanding international speaker on a major topic of public policy.

No topic ranks higher among Business Roundtable priorities than education. We have probably devoted more resources to it over recent years than to any other.

Education matters not just because of its role in equipping young people for employment in an economy that has to compete with the best trained workforces in the world.

It matters even more because we want children to be confident, adaptable and happy citizens, to become scientifically and culturally literate, and to be taught desirable values and attitudes towards society and its institutions.

There is much that is good about New Zealand education and the dedicated people that work in the sector. We ranked well in one recent international survey. Other surveys have shown more worrying results.

There is reason for concern about such things as the long tail of under-achievers, the extent of adult illiteracy, the status of teaching as a profession, and the quality of recent changes to the school curriculum and school qualifications. And, it is not clear that education outcomes have been getting better, despite improvements in technology, resources and school organisation.

I have become more and more convinced over the years that the main problem with education is the virtual government monopoly of the sector. Education and health are the two great remaining monopoly industries in this country.

We think of the problem of monopoly primarily in terms of such things as high costs, inferior quality, queues and rationing, and lack of diversity and consumer choice. These problems are all evident in health and education.

But another problem with monopolies that perhaps deserves more attention is the position of those who have to work in them. The frustrations include rigid employment arrangements, perennial pay disputes, inadequate rewards for performance, recruitment problems, bureaucracy and paper work.

A few years ago, the late Albert Shanker, long-time president of the American Federation of Teachers (one of the main US teacher unions), made a startling admission. “It’s time to admit”, he said, “that public education operates like a planned economy, a bureaucratic system in which everybody’s role is spelled out in advance and there are few incentives for innovation and productivity. It’s no surprise that our school system doesn’t improve: it more resembles the communist economy than our own market economy.”[1]

There has been a growing acceptance of Shanker’s view in the United States. In recent years, the movement that can be loosely characterised as ‘school choice’ has been gaining momentum. United States websites report new initiatives with charter schools, tax credits, education vouchers, for-profit ventures and home schooling almost on a weekly basis.

Some of the educational results seem very promising. The changes also seem to be working for teachers. A recent article by an outstanding education researcher at Harvard University, Caroline Hoxby, describes them as “professionalising teaching”, rewarding talented and hard-working teachers, giving them more independence and improving career prospects.

Tonight we are extremely fortunate to have with us someone who has been at the epicentre of many of these developments that are changing the face of education in the United States.

Professor Benno Schmidt is currently the chairman and CEO of Edison Schools, the leading private manager of public schools in the United States. Earlier in his career he was Dean of the Columbia University Law School, and he served as president of Yale University from 1986 to 1992. He is one of the leading scholars of the US Constitution, the history of the US Supreme Court, the law of freedom of expression, and race relations in the United States.

Professor Schmidt’s lecture will focus broadly on the school choice movement and other educational initiatives at both federal and state levels in the United States. He has given it the title ‘Reinventing Public Education in America’ and it gives me very great pleasure to invite him to address us.

Reinventing Public Education in America

Introduction

I have come half-way around the world but I feel very much at home, with people who share not only a common language, but so much of my inherited experience. We are the descendents of the common law, of *Magna Carta*, of David Hume and John Locke. We share the same constitutional foundations. We believe in individual equality, dignity before the law and in freedom of speech and religion. We believe in limited, democratic government. We think the state should enhance individual liberty and opportunity, rather than the reverse. We believe in a government of laws, not of might.

There are periods in any nation's history when the question of who are its friends is put to the test. Since September 11, it has been such a time in America. I am here as an ordinary American citizen, without official role, but I know I speak for my country in saying that the United States will never forget who stood beside it on the ridges at Tora Bora.

When I read about your SAS forces in Afghanistan I cannot say I was surprised, because the resolve of New Zealanders in defending freedom is well known. But, it drove home the point that though a long distance in geographic terms separates our countries, there is no separation in basic ideas about freedom, human rights and the rule of law.

It is a privilege to be invited to your beautiful country to present the seventh Sir Ronald Trotter lecture. A lecture honouring one whose

career has been as distinguished and far-reaching as Sir Ronald's puts a heavy burden of persuasion on any speaker, even without the record of the Trotter lecturers who have gone before. The quality of each speaker's contribution has already given this series great lustre in the global marketplace of ideas about public policy. It is therefore somewhat daunting to stand in their footsteps this evening. However, I am confident of one thing: the subject of my talk is one of the most critical issues of public policy in the constitution of every free society.

Those of us who have reached our middle years have lived through one of the most important transformations in all of human history. We now live in a global economy in which information has displaced land, energy and manufacturing as the foundation of human potential and economic development. As a result, nothing is so important to the destiny of individuals and the wealth of nations as education, and especially the education of the young. Americans increasingly understand this, so it is not surprising that, before September 11 at least, most Americans viewed the improvement of public education as the most important challenge facing the United States. Our citizens are dismayed by the dismal performance of public education, especially in our cities. They are demanding change. They are coming to the recognition that the gravest inequality in America is that of educational opportunity. They are more and more inclined to question what has long been a central contradiction in American public policy. The fall of the Iron Curtain and the triumph of capitalism and democracy over socialist dictatorships, not only in the competition of markets but in the competition of ideas, have made Americans more conscious than ever of the virtues of free markets over command-and-control state enterprises. Thus, Americans are waking up to the anomaly that public education has been organised to suppress competition, choice and accountability. Ten years ago, Milton Friedman, speaking of public education, lamented: "Political leaders in capitalist countries who cheer the collapse of socialism in other countries continue to favour socialist solutions in their own. They know the words, but they have not learned

the tune". However, the past few years have seen the beginnings of a historic reversal. The music is still indistinct and there is an awful lot of static. But the first notes of freedom are beginning to be heard, and I am betting that the chorus is not far behind.

My subject tonight is the growing significance in American public education of competition and choice, of private enterprise and entrepreneurs, in short, the whole array of markets and ideas of freedom as they begin to penetrate the closed, bureaucratic, monopoly that has been the structure of public education in America over the last century. Few ideas are harder to cabin than the demand for freedom, especially when joined to the demand for equality. Having revolutionised American public policy in civil and political rights and gender equality, the ideas of freedom and equality are forcing entry into the citadel of public education. The demand is for real freedom of choice in public education, with poor parents enjoying similar rights of choice to those that have long been the birthright of wealthy and middle-class families. When the explosive potential of freedom is added to the well-known lesson of history that few changes are more far-reaching than the transition from monopoly to competition, one sees the magnitude of the revolution that is brewing.

There is tremendous controversy and conflict about these ideas today. The public education establishment in America is dominated by career bureaucrats and teachers – often represented by powerful unions – who have little professional experience with markets and a deep distrust of the private sector. Most of them are good people who care a lot about children. However, they are prone to believe that bureaucratic planning and received tradition embrace all the good possibilities in education. They believe that if parents are given educational choices, those choices will be uninformed. They believe that any educational offerings emanating from the market will be vulgar hucksterism. They are supported by tradition-minded politicians, especially at the municipal level, who embrace a public monopoly that is susceptible to their control and patronage, and fear that a more open, choice-based system would

empower parents instead. These politicians protect the public education monopoly in return for its vast political funding and electoral clout.

However, parents, taxpayers and some more innovative politicians look at public education from a different perspective. They see a sluggish, indifferent monopoly, which consumes enormous public resources. They see bloated overhead and waste, embedded failure without accountability, and a crushing hostility to anything new. Above all, they see a system that is especially hurtful to the poorest and most disadvantaged. To this they contrast the productivity and efficiency of private enterprise in competitive markets, the remarkable technological and organisational innovation of the private sector in recent decades, and the entrepreneurial, risk-taking spirit of America's venture capital sector. If Fed Ex and UPS have revolutionised the Post Office, why not public education? If Ma Bell has gone the way of Western Union, why not the school monopoly?

Moreover, poor parents and honest politicians know well that educational choice has been the reality for America's well-to-do and middle class for decades. The flight of middle-class families from American cities over the past 40 years has been mainly fuelled by the desire for improved public schools. Expensive private schools for the wealthy and less-expensive parochial (mostly Catholic) schools for middle- and lower-middle-class parents allow some who have stayed in the cities a choice to buy their way out of urban public education. Moreover, the public school systems themselves have offered choices to try to retain academically promising students. Most urban systems offer academically selective high-schools that are comparable with good private schools in the ability of their students. Educational choice as the path to opportunity has deep roots. However, this path has been barred to those who are poor. Thus, for people who care about the poor, the coming of choice to public education is not only a matter of quality, efficiency, and innovation; it is also a matter of justice.

The stage of public education is set for a titanic conflict between past and future. I do not want to underestimate how difficult it will be

to reorganise public education around principles of competition and freedom. The most important truth about urban public education in America for the past half-century has been its astonishing resistance to change. The inertia of the system exceeds that of any other political or economic arrangement in the United States. The forces of bureaucracy and politics bolster this inertia powerfully. But the pressures building against it have repeatedly demonstrated their transforming power in our history. Once again, I believe they will prove to be irresistible.

Only the early signs are visible now. I predict that the revolution will eventually gather the sweeping force of Friedrich Hayek's prophesy, as competition pushes through the remains of a planned, command-and-control system, and will transform the most disastrous, stagnant and unjust sector of American society into a dynamic and democratic enterprise. The revolution in public education in America will be highly unusual among revolutions in that it will actually help the people who need it most. The forces behind these changes are at work in a number of free societies around the world. I believe the changes coming to public education in the United States mirror future developments in other countries, including the United Kingdom and New Zealand.

Education and the idea of freedom: opportunity denied

In America, there is nothing more important than an idea whose time has come. There are always cynics who deride the force of ideas when they come up against entrenched and powerful forces. "How many divisions has the Pope", Stalin is said to have snorted when Roosevelt spoke of the potential power of religious revulsion against the Nazis. Perhaps Stalin was right about societies in the grip of totalitarian dictators. But Roosevelt was right about free and open societies. In America ideas count, and no ideas count more than claims of freedom and opportunity. In one form or another, the most powerful force in shaping America has always been the search for freedom and opportunity. This quest brought European settlers to our shores. It is

why we fought our revolution and created the world's first constitutional republic. It is why immigration continues, to this day, to define America. The search for opportunity settled the frontier. The most dramatic and shameful denial of opportunity in America's history caused our forebears to fight one of the bloodiest and most necessary civil wars in history. Threats to freedom caused America to help shoulder the burden of resistance to totalitarianism on other continents and hemispheres. The demand for freedom and equal opportunity fuelled the civil rights movement, the defining political and moral movement of the second half of the twentieth century in the United States. It has caused the astonishing social revolution of equality for women, which continues to transform our society.

What is the great crucible of America's struggle for opportunity as we enter the twenty-first century? It is not the frontier. The frontier is closed. It is not civil rights. The civil rights struggle has seen its goals enshrined in our fundamental law. Freedoms of religion, speech and movement are firmly rooted in our laws. Gender equality is now guaranteed and, to an increasing extent, enjoyed.

The great issue of freedom and opportunity for America in the twenty-first century is education. This is why the two most powerful ideas in American history – possibly in all human history – are on the march toward our schools. Plus, in the schools, these ideas are reinforced by America's repugnance for any form of inequality that throttles opportunity because of birthright conditions such as race or poverty.

Without question, the gravest domestic problem in America today is inequality of educational opportunity. A tragically large proportion of our young people, most of whom happen to live in our great cities, and are poor, African-American or Hispanic, are mired in failing public schools that effectively deny them opportunity.

In New York City, my home, only 48 percent of the students who start high-school graduate in four years. With various added year

programmes, another 20 percent finally graduate with some kind of diploma. One-out-of-three students do not make it through high-school. Their earning capacity will almost certainly put them, and their families, below the poverty line, even if they have jobs, which will probably be sporadically.

To take another example, in Philadelphia's school system, serving over 200,000 youngsters, only 20 percent of the students are at the "proficiency" level on state tests that measure the essentials children need to know at various stages to move up the education ladder successfully. Only 13 percent of Philadelphia's high-school seniors – in their final year of secondary school – can comprehend a newspaper article of average complexity. A third telling example is Cleveland, the focus of the seminal case involving vouchers before the US Supreme Court, a case that may be the most important dealing with equality of opportunity since the school desegregation decision of 1954. The Ohio Legislature approved vouchers for the poorest children in Cleveland after that city's public school system flunked all 27 of the 27 performance standards in Ohio's academic accountability law. The situation is no different in most other cities in America. The condition of urban public education is an affront to America's democratic values and a lethal threat to its future prosperity and social cohesion.

The problem goes beyond the large number of drop-outs. Of the fortunate and industrious students who do manage to get a high-school diploma, only about half of them are actually able to read, write and calculate at levels needed to pursue a college education. Most American public colleges find that between one-quarter and one-half of the students admitted, who have high-school diplomas, need remedial education to try to learn what they should have learned in high-school. I am not talking about remedial education in history or biology. I am talking about knowing how to read and write and do basic arithmetic. The amount of remedial education undertaken by colleges and universities in the United States is the embarrassing secret of higher education in

America today. It is a huge drain on colleges' finances and energies, requiring them to undertake pedagogical responsibilities for which they are neither prepared nor organised.

More and more attention has been focused on these tragic failures in recent years because the importance of education, both to individuals and to society, is growing by leaps and bounds. Of course, education is important for many reasons other than earning a living, but the impact on earnings is one measure of how rapidly the social and economic significance of education is changing. In 1980, the salary gap between a person with a college degree and a high-school diploma was 25 percent. By the end of the century, that gap had quadrupled to nearly 100 percent. In the year 2000, the average high-school graduate earned $23,233; the average college graduate $45,648. It is estimated that by the year 2010 the gap will be at least 130 percent, and possibly much more. Plus, lack of education is exponentially disabling even for stable earning. In constant dollars, the earning power of a 30-year-old man with a high-school diploma in 1973 was $34,000. In 1995, it was $21,000.

These numbers do not even address the truly dire economic and social prospects for the 20 percent or more of our youth who never make it through high-school, with the drop-out figure climbing past 35 percent in many cities. The unemployment rate for the drop-outs and unskilled is two-to-three times higher than for high-school graduates and five-to-six times higher than for college graduates. These drop-outs who work, usually sporadically, earn only half of what high-school graduates earn, a level that puts them well below the poverty line.

American schools must change because America and the world have changed. In 1950, 60 percent of all jobs were unskilled. By 2005, only 15 percent of jobs will be available to unskilled workers, and most of these will be dead-end and low-paying. Education is the key to entry to the ten fastest growing occupations in America, eight of which involve computer information technology and two health care. The growing significance of technology in most businesses reinforces the growth of

opportunity for educated workers. Technology, investment and skilled labour are complementary production factors, while technology makes unskilled labour redundant. It is inevitable that America's place in the global economy in the information age will make education more and more the *sine qua non* of opportunity.

It is bad enough for a democratic society to have one-third or more of its urban young people exiled from opportunity, but, to make matters worse, educational inequality in the United States lines up relentlessly with poverty, race and English-language deficiency. Averages, in other words, disguise an even more disastrous reality in terms of democratic ideals of equal opportunity. Most social scientists in the United States view what has come to be known as the "achievement gap" between African-American, Hispanic, and Native American students, on the one hand, and whites and Asians on the other, as the most serious existing threat to America's social cohesion and democratic principles. The statistics on high-school drop-outs tell the story. The Manhattan Institute has published a study that shows the high-school completion rate is 78 percent for whites, 55 percent for African-American, and 53 percent for Hispanic students. These differences point to some truly appalling inequities that are hidden in the overall averages. For example, Wisconsin ranks second-highest among the 50 states with an overall high-school graduation rate of 87 percent. Yet, Wisconsin is dead last in its graduation rate for African-Americans, which is a disastrous 40 percent. The reason is that Milwaukee is a public education debacle in a state of mostly successful schools. The reality is grim in most large cities. In New York City, high-schools in poor neighbourhoods serving African-American and Hispanic students often have drop-out rates exceeding 50 percent. Even high-ranking graduates of such schools typically require remedial education before pursuing college.

By historical legacy and constitutional principle, the gravest injustice in America is serious harm as a result of birthright traits over which individuals have no control or responsibility, such as race, family language, location of birth, or the socioeconomic conditions of one's

parents. However, the reality in America today is that the essential part of opportunity – a good education – is effectively denied by the circumstance of being born African-American or Hispanic and poor in one of America's cities.

The growing significance of education as the determinant of opportunity explains many anomalies about America today. The gap between rich and poor in the United States is greater today than at any time in our history and is much wider than in any other affluent nation. Educational inequality underlies this huge and growing gap. According to the 2000 census, the top 10 percent of earners saw their earnings increase by one-third in real terms in the past three decades, while the bottom 10 percent lost one-fifth of their real earnings. The richest 1 percent of American households claimed nearly 14 percent of total income in 1997, double the percent claimed in 1979. There is much greater economic inequality today between suburbs and cities than was the case 30 years ago. The percentage of children attending college from families in the top half of the income distribution has risen dramatically in the past 20 years, while the percent from the bottom quarter has fallen. American men in the top 5 percent of the income distribution have a life expectancy that is *12 years* longer than men in the bottom 10 percent.

The controlling influence of education on life chances in America explains why well-to-do families mortgage their houses to meet the $150,000 cost of sending a son or daughter to Yale or Harvard – and that is only the cost of college! Even wealthy families struggle when two or three children attend elite private colleges. The skyrocketing tuitions charged by America's best colleges are exceeded only by the willingness of families to put themselves and their children into debt to meet college costs no matter what.

The huge economic disparities caused by educational inequality also explain why America's leading cities are moving toward *ancien régime* dichotomies of wealth and poverty. Cities attract the best-educated Americans to live and work while urban schools prepare huge numbers

of disadvantaged young people for lives of poverty. It would test the descriptive powers of a Dickens to capture the polarity of most American cities today.

Thus, public education in America is at the vortex of economic, political and constitutional forces of seismic power. The appalling failures of public education in our cities are more and more magnified in social significance by sweeping economic and technological changes. Education is the key to opportunity at a time when inequality of opportunity is greater than ever in American history, and greater than inequality in any other advanced democratic society. Plus, the ultimate injustice is that educational inequality falls crushingly on children of colour, children who do not speak English at home, and children of the poor – all birthright conditions that in the American constitutional tradition are the most invidious of all possible grounds for the imposition of harm.

In any free society, public education ought to be the most powerful instrument for narrowing the terrible social divides of wealth and poverty, of opportunity and frustration. However, the painful truth about public education in America today is that our schools are certainly not narrowing these divides, but in fact are making them deeper, wider, and more dangerous.

Public education: Its structure and political economy

The condition of public education in the United States is predictable given its political economy. Public education in America is vast in size, although highly fragmented politically; it consumes enormous public resources; and the costs of supporting it have grown, and will probably continue to grow, more rapidly than the growth in cost in any other sector of the American economy, including health care.

There are about 88,000 public schools in the United States, serving nearly 45 million students, and organised into nearly 15,000 public school districts. Half of these districts are tiny, consisting of one elementary, one middle, and one high-school serving a few hundred

youngsters. Their small scale gives them the familiar characteristics of cottage industries. They have no capacity to invest in research and development, they get no benefit from system or scale, and because each needs to be organised as an autonomous political unit, with its own superintendent and district staff as well as school board, they are highly inefficient in the ratio of overhead to operating expenditures.

At the other extreme are the large urban school districts serving 100,000 students or more, the largest being the public school system in New York City, which serves over 1 million children in nearly 1,200 schools. These school districts are an amalgam of the insight of Friedrich Hayek about planned systems and Max Weber about the workings of bureaucracy. Their central offices are byzantine in complexity, have divided and mysterious functions and are insatiable consumers of resources. By far the largest sources of public employment, these districts tend to be protected from any change not in the interest of their employees by local politics. They follow the classic bureaucratic tendencies. They prefer continuity to change. They are risk-averse and hostile to technological innovation. They drive toward ever-greater specialisation. They suppress and control information. They confuse and confound accountability. And they know best. Curiously, these large bureaucratic systems share many of the characteristics of cottage industries as well, especially the crushing power of inertia and an incapacity to innovate.

The average annual operating expenditure is about $7,500 per pupil, which puts total public education spending (not including higher education) at about $350 billion annually. This does not include spending on buildings and other capital items, which would add another $1,000–$2,000 per pupil, per year. The sector is larger than social security and defence combined. It is larger than the entire automobile industry in the United States. Only health care consumes a greater share of the gross domestic product. Remarkably, public education costs have grown more rapidly than any other sector over the past 50 years, averaging more than 3 percent annual real increases, after inflation. In

the past half-century, per-pupil spending has increased six times in real terms after inflation.

Public school spending comes from local, mostly property, taxes, state revenues and federal monies. Less than 10 percent of public school spending comes from the federal government, but as the federal education legislation due to be signed in January 2002 will demonstrate, both the federal government's regulatory power and its financial contribution is destined to rise. The bulk of public school spending comes from the states and local communities and tends to be evenly divided. There is a wide variation, however, with property-rich local communities spending more, even though in most states the state contribution tends to increase the poorer the local community. This situation has set up a highly charged political dynamic. In state after state, the question of the proper level of funding for urban school systems has become the most explosive political issue. In states with large cities, most officials from outside the cities believe the city school systems are hopelessly wasteful and inept, and that cities are unwilling to tax themselves sufficiently. The fact that spending on public education in the cities has grown rapidly over the years does not blunt their cries for more, because the suburbs just beyond the city walls usually spend even more. As usual, in such situations in America, the judiciary is being invited into this political thicket and lawsuits are common claiming that states are denying urban children their (claimed state constitutional) right to an adequate education. Edison is indeed at the epicentre of the biggest such battle yet, between the state of Pennsylvania and its largest city Philadelphia, which has managed to combine in its public school system academic dysfunction with financial bankruptcy in a particularly disastrous way.

Notwithstanding these increasingly brutal political confrontations, overall spending on public education, including in the cities, continues to rise at the highest growth levels of any sector of the American economy, public or private. Yet, there is no evidence that all this increased spending has produced any improvement in the performance of America's public schools. Academic performance has remained flat,

near the bottom of most international comparisons. Indeed, economists who have studied the impact of additional resources for public schools have concluded that added money only matters where it causes a school to reorganise itself. But this rarely occurs. The reason is simple: public school systems in the United States have been monopolies serving captive audiences and they have almost without exception organised themselves to exclude any incentives for success, disincentives for failure, or indeed any consequences whatsoever for performance. In the absence of incentives, there is no pressure to allocate resources optimally or even rationally. Over many years, the lack of consequences for either failure or success has led to an extraordinary inertia.

The power of inertia

A thorough analysis of the force of inertia in American public education would need to cover every aspect of the enterprise. However, I can give a sense of it by mentioning just two or three examples. Alfred North Whitehead once remarked that the whole problem of education came down to time. Even if that is a bit exaggerated, there is no question that time can be a critical factor in educational outcomes. But when it comes to this critical variable, America's 178-day school year – the shortest school calendar of any developed country, by the way – has not changed since the United States was an agrarian society and students were needed during the long summer to work in the fields. Today, fewer than 2 percent of Americans work in agriculture and yet all the added resources that have been poured into public schools have not been sufficient to break the anachronistic mould of the 'agrarian' calendar. This calendar contributes hugely to the tragic failure of educational outcomes for poor children in the United States. These children suffer serious educational regression over the long summer months, as compared with more fortunate children. Thus, the long summer vacation not only vitiates the educational impact of American schools generally, but is a major contributor to inequality of outcomes for poor children.

America's school day is similarly an anachronistic misfit in terms of the needs of today's children and families. Almost all American public schools continue to follow a six-hour academic day, as they have done for nearly 100 years. This daily schedule is oblivious of the fact that America's mothers have gone to work. The revolution of gender equality and women's participation in the work-force is regarded by many in America as the most important social change of the past 100 years. Our schools have not noticed. The six-hour day imposes disastrous rigidities on the academic curriculum and on the ability of schools to respond to children's special, individual needs. And, beyond the fact that it throttles educational options that a longer day would permit, this foreshortened day has other baleful consequences, such as latch-key children glued to television sets during the afternoons and the fact that most juvenile crime in America occurs between 3.00–6.00pm, before parents get home from work.

To offer one example of what a different use of time might mean, let me describe the calendar and daily schedules of the public schools that Edison manages. Edison adds four weeks to the school year and two hours to the traditional six-hour day. This seemingly modest change adds approximately 500 hours to the traditional American school schedule of 1,068 hours, more than a 40 percent increase. This means that children in an Edison school from kindergarten to eighth grade will have had the equivalent of *four more years* of school before they begin high-school, compared with students in a traditional public school. Used well, this additional time can have a major impact on academic performance.

My second example of inertia's grip concerns information technology. It is a truism that one of the two transforming scientific revolutions of our time is the revolution in information technology. (The other is the capacity to study life at the molecular level, which has ushered in amongst other things modern genetics.) Virtually every enterprise that is about the analysis and dissemination of information has been utterly transformed, and has pursued a strategy of providing

ubiquitous, dedicated access to networked computing power for every individual whose learning and communication is important to the success of the enterprise. Every enterprise, that is, except one.

Schools are about many things, but education at its core concerns information: its dissemination, creation, analysis and assessment. One might have thought schools would be prime beneficiaries of the revolution in information technology. However, the great majority of American public schools are essentially untouched. It has not seemed important or possible in American public schools that teachers ought to have laptops as a basic professional tool. Many teachers buy them for themselves, of course, but virtually none of their teaching, training, or assessment is organised with computers in mind. America's welter of education statistics does not even track a "teacher to computer ratio". This is perhaps not so odd when one considers that most teachers do not even have access to telephones.

Schools do think about giving students access to computers, and are making some progress. Just five years ago, the ratio of computers to students was 1 to 10. Today it stands at 1 to 6. How are these computers typically deployed? You can usually find them down the hall in a computer lab, where students will go for 30 minutes a day to work on the computer. That no other enterprise concerned with information organises itself this way is deemed irrelevant. The fact is that putting computers down the hall in a lab makes no more sense than putting all the pencils down the hall in a pencil lab.

Public educators insist that they cannot afford more computers, much less the planning and training costs that would be involved in truly integrating them into teaching and learning. So they remain peripheral. The only students who become computer literate during their school years are the children of families in the upper income brackets who have their own computers at home.

It is true that most public schools feel incredibly poor. But recall how rapidly spending on public education has risen in real terms over the past 50 years. At average levels of operating and capital

spending, giving all students ubiquitous computing power would cost about 5 percent of total spending. Is this out of the question for an enterprise of which the funding growth has been double the rate of inflation for 50 years? Obviously not. The problem is not the absolute level of resources, but a structure that is fundamentally unresponsive to issues of optimal resource allocation and, in particular, finds it impossible to make rational trade-offs between capital investment and operating expenditure.

I hope I do not sound as if I am blowing my own horn if I use Edison Schools again to illustrate an alternative possibility.

In Edison Schools, every teacher gets a laptop on the first day of their training, fully networked, and every student is given a home computer starting in the third grade. There is ample training in the use of computers for teachers, students and parents. All Edison teachers, students and families are networked in American's first nationwide education LAN. There are three computers in each classroom to be available whenever students need them. Thus, Edison's teacher-and-student-computer ratios are better than 1 to 1. This costs approximately $600 per student per year, or about 7 percent of annual per-pupil spending, a cost we think is worth bearing to give teachers and students ubiquitous use of computers in school and at home.

Let me mention one other example of the extreme backwardness of American public schools. We have learned a lot in recent decades about how to promote accountability and encourage good performance through incentives and organisational structures. The traditional American public school is the absolute antithesis of these lessons. I have mentioned before the total absence of incentives, which makes rational resource allocation impossible. What about the way public schools are organised? Teachers work in isolation, for eight months, with 25 youngsters of widely varying abilities and needs, and whom they have not seen before, then a new group arrives after a long summer interlude.

I would ask any of you who are not educators here this evening how effective you could be as managers if you had 25 direct reports, each

working in six to eight areas, as different as science from art, who changed every eight months. That is the accountability structure of an American public school. Even if proper incentives were in place, and they are not, this organisational structure would make accountability extremely difficult.

I want to pause here to pay grudging respect to the phenomenon I am describing. Is it not awesome that a social institution in America, of the greatest importance in the life of our people, could resist the changes brought not only by the Industrial Revolution but by the revolution of the Information Age, *and*, on top of that, fail to adjust itself to the women's revolution and the decline of the nuclear family? I cannot think of another social institution where the power of inertia is so dominant.

Bureaucratic bloat

Inertia is not the whole problem of America's public schools. They also exemplify the tendencies of public bureaucracy in the absence of competition or effective political control. It would take Max Weber to do justice to this phenomenon. In 1940, 67 percent of all public school spending went to teachers. Today, the percentage going to teachers is 41 percent. Adding other spending on classroom items such as books, utilities, capital costs and so on, it appears that only about 50 percent of all public school spending makes it to the classroom. Can you think of any successful service enterprise where only half its expenditure actually reaches the consumer?

This points to the huge problem of bloated administrative costs and overheads in America's schools. At Edison we have analysed hundreds of budgets in the public school system. We have found that the average overhead costs, of the districts we have studied, result in roughly 30 cents of every dollar spent to support public education never making it to the school, much less to the classroom. In some systems, the portion of off-site spending rises to 50 percent.

Politics and unions

The status quo in public education is backed by exceedingly powerful political forces. In many cities, the public education system is the largest employer. Local politicians use it as a depository for patronage and are loath to offend education interests with the prospect of change. Moreover, teachers' unions are the most powerful political force at the local level in many states. In Oregon, the teachers' union gives more money to state legislators than the next two largest interest groups, the timber and electrical industries, combined. In New York, the teachers' unions give more money to both Republican and Democratic legislators than any other interest group.

The teachers' unions are the biggest financial supporters of the Democratic Party, both nationally and in many states, and they tend to understand very well that it is only because public education is a local monopoly that schools can be so inert, so unaccountable, so lacking in programmatic diversity, so dominated by unproductive bureaucracy, and so poorly performing. Thus, it is not surprising that teachers' unions tend to prattle endlessly about reform of this or that, to promise again and again that things are going to get better, to blame poor performance on inadequate funding, while at the same time resisting any threat to the status quo. Any sort of performance-based accountability is fiercely resisted, whether it be merit pay or tying school funding to school performance.

However, there are a number of reasons why teachers' unions are not likely to stop the momentum of freedom, choice, and competition from transforming American public education, and indeed why a few teachers' unions are even emerging as supporters of these changes. First, it must be remembered that teachers' unions are as local and pluralistic as every other aspect of public education. Teachers' unions are organised locally in each community, and each local union makes its own decisions. In smaller communities the union leaders are likely to be teachers on temporary assignment, and they care about their members'

current needs as much or more than about the long-term concerns of the union as an organisation. To the extent that competition and choice can be shown to carry substantial benefits for teachers who would welcome accountability if it came with more professional support, less bureaucratic intrusion, and increased career opportunities, some local unions will follow their teachers' interests rather than the party line laid down by the national headquarters.

The pluralistic character of American public education makes it relatively friendly to consensual reform from within, one system or state at a time, which does not require lifting the sisyphean stone of monolithic, national reform all at once. This is a prime illustration of the wisdom of de Toqueville, Burke, and Hayek, among others, in recommending federal constitutional arrangements as conducive to freedom and markets. It exemplifies the capacity of the states and localities of the United States to give the nation an array of laboratories for social and economic invention.

In the layered political environment of the United States, where municipal authority can be trumped at the state level, and state at the national, the political power of unions tends to lessen as decisions are removed from the local level. Thus, as states intervene increasingly in local public education systems, and as federal education regulation expands, unions have considerably less leverage.

Union leaders are also increasingly aware of certain very negative aspects of the traditional public school monopoly in terms of their own members. The fact is that the inert, unaccountable, non-incentivised, unresponsive, poorly performing bureaucratic monopoly within which most American teachers work devastates their morale and is an affront to their sense of professionalism. A majority of young teachers entering the profession abandon it within five years, and in urban systems the dissipation is even more rapid. Teacher shortages are at crisis levels in many cities, and the quality and competence of those attracted to the profession is a national embarrassment.

The literature on monopolies tends to focus on the baleful effects of monopoly on efficiency and societal well-being. But, the public education monopoly also exacts onerous rents from those within as well as without, in devastated morale, stunted career opportunities and lack of recognition and reward for a job well done.

Finally and most importantly, many teacher union leaders care not only about the welfare of their members, but also about the welfare of the children in their public schools. Their job is to look out for their members' interests and, of course, they look after themselves, which is not necessarily the same thing. However, many are idealistic, altruistic, and want to feel proud of their contributions. And virtually all see that the system is not working.

Public education's rendezvous with destiny

I believe historians will look back at the years surrounding the turn of the century as the turning point of American public education toward a future of competition and choice. There are signs of the future in several places. One is the coupling of school choice opportunities to the rapidly proliferating systems of real accountability for public schools at both state and federal levels. This development has huge potential to upset the status quo by creating market consequences for school failure and spreading choice. A second sign of things to come lies in the rapid proliferation of charter schools across America. A third is Edison Schools, which would have been unthinkable a decade ago, and which is, despite powerful opposition and many uncertainties, the most rapidly growing phenomenon in the history of American public education. Fourth, voucher systems have taken their first, tentative steps in several places and, following their constitutional affirmation by the Supreme Court, can be expected to proliferate. Vouchers have huge potential.

A growing number of public school systems are responding to demands for reform by giving parents the choice of applying to the

public school of their preference rather than having to have their children stay in their neighbourhood school. Some states, such as Michigan and Pennsylvania, go even further and allow parents to send their children to neighbouring school *districts* if they choose. However, in the absence of some coercive pressure to make choice a real option, especially for poor families, these mechanisms do not go nearly far enough to satisfy parents' demands or bring the benefits of true competition.

The problem lies in the essential programmatic uniformity of most district-managed public schools, and the limitations of good schools on the supply side. Most well-performing schools fill up quickly, leaving parents with children in poorly performing schools with no option. Moreover, in the absence of programmatic differentiation, it is difficult for many parents to see why changing schools would make much of a difference for their children. Also, parents have an understandable preference for neighbourhood schools. They want choice in their neighbourhood, not on the other side of the city or in the suburbs.

However, school choice is getting a huge shot in the arm from the burgeoning standards and accountability movement that is being pressed with aggressive resolve in many states, and is the centrepiece of the new federal education legislation that President Bush has made the top priority of his domestic policy.

In the past five years, many states have passed powerful accountability requisites that measure whether students in every public school are meeting prescribed standards of academic achievement. These measures are beginning to provide for the first time solid information about academic achievement and failure, and to shine a powerful light into the informational fog with which public education has traditionally surrounded itself. Even more striking, a number of states for the first time have been imposing actual consequences on poorly performing schools. Most of the populous states passed legislation allowing them to take control of failing schools or even entire failing systems.

Pennsylvania's takeover of the Philadelphia school system is the largest such effort yet, and it is not surprising that in the takeover the state has made school choice a prime element of its plan. Forty-five schools – one out of every five – in Philadelphia have been turned over to management by new public education providers, such as Edison, local neighbourhood groups, and a variety of universities. The *New York Times* has rightly called this "the most important urban public education reform effort in the history of public education".

Florida offers an example of another choice strategy. In that state, children in schools that are failing and that do not improve will be given vouchers to enable them to seek admission at any other public or private school. It is too early to tell whether this approach will be administered with vigour and continuity over a long enough time to make its truly revolutionary potential felt.

By far the most important initiative in its potential for bringing choice and market forces to public education is the federal No Child Left Behind Act of 2002, President Bush's signature domestic policy initiative. This landmark legislation for the first time threatens failing schools and systems with the loss of federal funds. It also requires that students in failing schools be given real choices to attend successful schools, and, if none are available, the system is required to create them. The Act also provides that failing schools must be fundamentally restructured, with approved restructuring approaches that specifically include conversion to charter school status or being put into the hands of private managers.

There is great conflict and controversy about whether this breakthrough federal legislation will cause the seismic change it has the potential to generate. Opponents managed to stretch out the period of permissible failure before radical restructuring measures are mandatory. And school systems around the country are quite predictably complaining that they have no ability to offer children in failing schools a real choice to move to successful schools. It is true that they lack

capacity in the existing, non-competitive, inert, one-size-fits-all structure of public education. The question is which will give: the mandate to provide real choice or the structure that prevents real choice from coming into being? If the Bush Administration has the will and time in a second term to make real the opportunity that the No Child Left Behind Act says must be provided to children in failing schools, the traditional public education monopoly will finally have met its match.

The rapid growth of charter schools is the third indication that competition and choice are forcing open the traditional public school monopoly. The idea of charter schools was born in Minnesota only ten years ago. In essence, a charter school is a public school that is independent of the local school district where it is located. Chartered and overseen at the state level, either by special chartering boards or public university trustees, charter schools receive state funding for every student they can attract. This funding is usually set to match the level of per-pupil funding of the local school district within which the charter school is located.

The funding follows the child, which means financial loss to the school district for each student who leaves a traditional public school to attend a charter school. Also, teachers in charter schools need not be unionised. Loss of revenue and of union members is a combination that powerfully concentrates the minds of education bureaucrats and teacher union leaders.

Over the past decade, charter schools have grown rapidly, averaging yearly growth in numbers of schools of about 40 percent. Today, 37 states (including all the major population states) and the District of Columbia have authorised 3,000 charter schools serving close to a half-million youngsters. This is still only about 1 percent of the public school population, but the threat of charter schools is very real in most of the big cities in America. It is the growth trend that has public educators' attention.

The fourth harbinger of competition and choice is Edison Schools. In the 2001–2002 year, Edison's seventh year of managing public schools, we served over 70,000 students in 45 communities in 23 states and the District of Columbia. Edison is America's first national system of public schools. It is the fastest growing system of public schools in history, with yearly growth in its first seven years of greater than 50 percent per year. As a system, Edison is larger than the school systems in Denver, Boston, Atlanta, or the District of Columbia. Of the 15,000 public school systems in America, Edison is among the top 50 in size.

Edison's national scope and rapid growth give it unique opportunities. Edison is the only public education enterprise that recruits teachers and principals nationwide and can offer geographical mobility to its teachers and principals. Because Edison Schools share a similar core academic curriculum, we can train our teachers in a common process. With integrated computing technology, all Edison Schools, teachers, students, and parents are participants in integrated networks. Of the abundant opportunities integrated technology presents, perhaps none is more exciting than assessment.

Why is the first such system the creation of a private sector school management enterprise rather than having been developed by the traditional public education sector? I am sure what the answer is not. It is not because Edison is smarter than public educators in the traditional system. It is not because Edison cares more about children. It is not because we have more resources.

The answer, I think, lies in the fundamental differences between open systems of choice and competition and closed systems of public or private monopoly. Edison can be fired by parents who are in our schools as a matter of choice, by our teachers who are free to leave and, of course, by the school systems, states, and charter boards that contract with us. We must be accountable, or we lose. By the same token, Edison and its people will be powerfully rewarded if we succeed. These rewards are pecuniary, reputational, and psychological and they are huge

compared with those available to public educators in the traditional system.

The final way in which competition and choice are showing their potential to challenge the public education monopoly is theoretically the most powerful, although practically having least impact today. Vouchers have long been seen by market-oriented reformers as the fairest and most effective way to bring the benefits of competition and choice in public education to America's poor. Because of their revolutionary potential, vouchers have attracted the fiercest resistance from defenders of the status quo, and, to date, only small programmes offering voucher amounts of minimal utility have been tried in a couple of cities: Milwaukee and Cleveland. However, the ruling of the Supreme Court upholding the constitutionality of Cleveland's voucher programme against claims that it violates the separation of church and state is likely to stimulate other localities to try more effective voucher programmes.

Disinterested critics of vouchers focus on four issues. They point out that the existing supply of private and parochial schools is inadequate to handle the number of students whose families would seek to flee the public school systems if vouchers gave them an alternative. They are concerned, secondly, that private schools would not accept the most disadvantaged and difficult students, including students with special needs, thereby leaving the public schools with the most challenging students while "creaming off" the easier students into private schools. These criticisms are plausible in the existing situation but fail to account for the impact vouchers would have over time on the supply side. Voucher programmes that promised some degree of continuity would surely produce a supply of new private schools equal to the demand if markets were allowed to function. The real difficulty lies in the controversial nature of voucher proposals today, with any of those passed liable to political reversal depending on the vicissitudes of the next election. There is not an empirical basis on which to judge the question, but voucher proponents are probably right in predicting that

once vouchers are in the hands of enough families, it will be hazardous for politicians to try to remove them.

The third and fourth arguments against vouchers are the most cogent. Critics fear that if private schools take on more and more students, public financial support for education will shrink with the result that poor families will be relegated to cut-rate academic factories that will make for even greater educational inequality. But why assume that voucher programmes would provide inadequate financial support for the poor? Americans have long demonstrated a willingness to spend vast sums on universal public education. One of the main arguments against public spending – the waste and inefficiency of the public education monopoly – would no longer obtain. I do not find the argument persuasive, but voucher proponents need to demonstrate that their programmes will help rather than exacerbate the educational inequality that is America's greatest problem.

Finally, opponents of vouchers claim the benefits of the "common school" ideal. Public schools, serving a diverse population of children of all classes, religions, and races are held out as the great civic melting pot of American democracy. There is no denying the democratic appeal of the common school in theory. The problem is that the reality of American public education, especially in cities, makes a mockery of the common school ideal. America's public schools today exacerbate the divisions of class and race, which threaten to pull asunder our democracy.

In quantitative terms, the extent to which competitive schools have eroded the public education monopoly – perhaps 2,500 out of nearly 100,000 state schools – is still very small. But the momentum of markets is in the saddle. The number of competitive, choice-based public schools has been increasing by 50 percent each year for the past eight years. Moreover, as Joseph Schumpeter pointed out in his famous book *Capitalism, Socialism and Democracy*, the threat of competition can shake up monopolies almost as much as the real thing. History teaches that once competition and freedom of choice crash through the barriers of

monopoly, the power of markets is inexorable, at least so long as monopolies cannot insulate themselves by the rule of law. But, in America, the public school monopoly cannot count on protecting its hegemony through law because it is too local and pluralistic to admit of any such unitary political and legal solution. Choice and freedom do not have to crack a legal and political monolith in America.

Conclusion: A liberal education system to counter the collectivist orthodoxy: the lesson of Hayek

In an insightful 1996 lecture entitled 'New Zealand's Remarkable Reforms', Dr Donald Brash attributed the successful liberalising economic reforms of the early 1990s to "a spectacular collapse of the mental defences against the intellectual counter-revolution which Hayek had begun in the 1940s and which since the mid-1970s had been rapidly gaining ground against the collectivist orthodoxy".[2] Dr Brash's paper includes a quote from a journalist, Lindsay Perigo, who referred to New Zealand in this period as "a country reformed by Hayekians, run by pragmatists, and populated by socialists". I cannot think of a better description of the current state of reform in American public education.

One of Hayek's most powerful insights holds the key to understanding both the immense difficulty and the promise of liberalising reform in American public education. I refer to Hayek's famous principle of the discovery mechanism of markets. It is all too easy to underestimate the dynamic quality of this principle, if my own experience is a reliable guide. Put another way, markets are so powerfully and pre-eminently effective at sorting through existing complex and disaggregated information about existing products and services and making pricing, resource allocation, and production decisions, while planning regimes are so futile in dealing with this information, that we are apt to think of the discovery advantages of markets as applied to existing information. But the advantages of competition with respect to existing information – huge as they are – are not the areas of the discovery

mechanism's greatest power. We must not forget that markets also create new information in the form of innovations that planning will never bring to life. Here is Hayek's statement on this vital point:

> Competition is thus, like experimentation in science, first and foremost a discovery procedure. No theory can do justice to it which starts from the assumption that the facts to be discovered are already known …
>
> How any individual will act under the pressure of competition, what particulars he will encounter in such competition, is not known before even to him and must be still more unknown to anyone else. It is therefore literally meaningless to require him to act 'as if' competition existed …[3]

But this crucial advantage of markets and competition as a discovery mechanism creates a paradox, namely that monopolies and command-and-control systems will find themselves clothed in a protective epistemological veil. Where competition has been effectively stifled, it will, in principle, be impossible to foresee its advantages concretely because they do not exist and are impossible to predict. The theorist may be able to point to the processes that competition would bring to the fore and offer more or less apt analogies from other enterprises where competition has been permitted to show its innovative power. However, it falls to the entrepreneur, using markets to innovate, to demonstrate concretely the benefits of competition, and to give people the opportunity to make actual choices based on real knowledge of concrete options. Thus, the entrepreneur's challenge to a moribund state monopoly may well prove more convincing than the theorist's, given the poverty of human imagination and what John Stuart Mill called "the deep slumber of a decided opinion". The theorist will run into what Hayek called "the synoptic delusion" that leads most people, and especially intellectuals, to believe that government planning has embraced all possible options.

In no area is the synoptic delusion more powerful than public education. Public educators are intellectuals, and Hayek pointed out that intellectuals as a group are the most inclined to believe that

bureaucratic planning is the avenue to progress, and the most sceptical and ignorant of markets and competition. Most public educators have never experienced competition in their working lives. It is not surprising that they would be blind to the potential benefits of competition. Most educators can imagine only such improvements in schools as are possible by tinkering within the existing structure. Where monopoly reigns no-one can foresee the actual advantages of freedom and competition because the most important of those advantages remain undiscovered.

Thus, theory alone will not pierce the epistemological veil. We need entrepreneurs. It will take the undeniable benefits of educational markets and choice to be actually operating before educators and their political allies will question the traditional monopoly.

One of the greatest achievements of the English-speaking peoples is the tradition of liberal education, connoting an education for freedom, designed to develop critical autonomy and individual judgment. The concept of liberal education has traditionally focused on the content and style of education. It is time to broaden the concept – the acute problems of public education in our day, and the triumph of markets and competition in so many areas, suggest that we need a definition of liberal education that focuses on the structure of schools as much as on their curriculum and pedagogy. If we want a public education for freedom and democracy we need to follow the wisdom of Friedrich Hayek quite as much as that of Matthew Arnold and John Henry Newman.

Then the structure of state education would embody the dynamics of liberty rather than the inertia of a moribund monopoly, and our schools would offer, in Churchill's stirring words "choices, a great multiplicity of them and not a miserable grey on grey".[4]

Questions

I had the privilege of interviewing Michael Apple when he came to New Zealand. You both talk about education and democracy and yet come at it from entirely different angles. I'm curious to know how you differ from the arguments that Apple puts forward.

I do not want to try to speak for Michael Apple, and I am not a political philosopher. But the arguments in my country about education and democracy usually take the form of a competition between what political theorists call 'voice' and 'choice'. Some argue that public education in America can be influenced and can achieve goals of freedom and public participation by voice. That is to say, citizens will vote for the school board, write letters, and publicly agitate for the type and quality of education they want. It is an argument that I think has great appeal in theory. However, I do not think it works well in practice because public education is now a classic example of political breakdown.

I am a small 'd' democrat. I believe in voice and in voting. I think that is an entirely sound arrangement for a representative democracy. The problem is, few people vote for school boards in America. In most big cities the electoral turnout for school board elections is less than 5 percent of the eligible voters. What this means is that any organised group can easily dominate those elections, so the entrenched interests tend to be the dominant 'voice'. The voices of parents and people in failing school neighbourhoods are not well enough organised to make themselves heard in politics.

There is also a breakdown in the capacity for leadership. Public school superintendents in the 50 largest urban systems in the United States have an average tenure of less than two years. Being a public

school superintendent is a very complicated job. If you are there for two years you are going to spend the first year trying to figure things out and the last year trying to decide if you are going to be fired before you can quit. There is no leadership in many of these systems, and I mean that literally. I think the approach of pursuing democratic values through voice is not working well, which is why economists and many political theorists would make a case for a mixed regime of public accountability and private market solutions that give people choices at the consumer level.

In your discussion you referred on several occasions to test scores. We have had a long-running debate in New Zealand about the role of national testing. We do not have a real national testing regime. What role can national testing play in facilitating policy change and how important do you think it is to have identifiable evidence of school failure?

I am not a great fan of standardised tests but I think they are absolutely essential as a first step to getting useful knowledge about the performance of different schools. They can be used in sensitive and sensible ways.

As Max Weber said, nearly 100 years ago, one of the great characteristics of public monopolies is that they use information, or rather the absence of information, as a means of defence against outside criticism. So, at least in America, where the public schools have been unaccountable for decades, I think there has to be a very strong regimen of testing, of information disclosure, and of real consequences for failing schools – and that must ultimately include shutting them down. That is a completely new notion in America but it is sweeping the states at the present time.

What can you do to effect political change? In the United States you would try to get your state to pass a charter school law. Thirty-seven states have now done so, including all the big population states. These enable schools to come into being that are tuition-free, supported by

public financing, open to all, but not part of the local public school system. They have different and independent oversight mechanisms. That is a huge change because it is not necessarily the presence of charter schools but the threat of them that causes the changes within the public school system. That is the way competition is supposed to work. If an approach like charter schools were possible in New Zealand I think it would be a very healthy development.

The other thing I must say, if you will excuse my bias, is that there is a role for private enterprise in promoting a dynamic and successful regime of choice and innovation. There are some things private enterprise simply knows how to do better. It knows how to line up incentives with performance. It knows how to create systems of management that are very efficient. Can you imagine a private customer-services enterprise that spent nearly 50 percent of its resources on overheads? You will not find one in America that spends 10 percent in that way.

It is not either/or. I would never say the private sector should take on all or a majority of state schools. But I do think that in the mix of choice and competition the private sector has an important role to play. So, if I were in New Zealand I would look for somebody crazy enough to do what Chris Whittle and I did 10 years ago when Edison was first conceived. Entrepreneurs, as Schumpeter said, are crazy people who think of things that nobody else has thought of or done and who try to make them happen. You have entrepreneurs and you have venture capital. I would encourage putting them to work in the education market just like any other.

Have you considered extending your services to parenting programmes and preschool services in the communities you serve? And have you considered exporting your services, say to New Zealand?

We would love to have a preschool in every Edison school. One of the most important things that could be done to address educational

inequality – at least in the United States – would be to introduce good preschool programmes for three- and four-year-olds. Very few states have adequate public funding for preschool education.

Edison never charges parents anything, otherwise we could not serve poor parents. Because preschool programmes are not publicly funded, we have not had them, except where we have found some philanthropists to help us. We are hoping to demonstrate to governors and to the legislature that they ought to fund preschool because it really is one of the most helpful things that could be done.

You asked about Edison's interests in exporting. Some of you may know that the British prime minister, Tony Blair, made education choice and private management of state education prime platforms of his re-election campaign, along with similar things in health care. So, the United Kingdom is starting down the road that we have taken in America. Edison is very interested in setting up a UK affiliate. The idea of Edison under British management, with a programme that is suitable for British schools, with our systems, some of our curriculum, and our ways of getting incentives right are all things that, in principle, should work well in the United Kingdom or in any free and open society.

I would love to have an opportunity for Edison to establish in New Zealand. Again, it would not be a matter of trying to run schools out of New York – that would be absurd – but of making our know-how available to New Zealand educators and entrepreneurs, and of providing our systems, intellectual property and capital where it would be helpful.

What are your feelings on compulsory subjects in schools? And is there a good world model for education that we should be looking at?

I think there should definitely be compulsory subjects in schools. I would go even further and say there should be compulsory subjects in college – even though I was never able to persuade any of my faculty at Yale on that point! For example, if, as educators, we do not have some view about what count as the best and the greatest achievements

of human history, and the place of humanities in the curriculum, then we ought to get other jobs.

So, I very much believe in compulsory subjects and a core curriculum but I think there ought to be a degree of election because I think students, like other people, have a need to learn how to make important choices about their own lives.

On your second question, Edison did not find any single role model. When we put our school design together we visited Japanese schools, which do a particularly good job in mathematics education. We thought Catholic schools in the United States operated pretty successfully in many of the inner-city communities where public schools are tragic failures. We tried to understand why Catholic schools succeeded. Partly it is because they have a defined compulsory curriculum and partly because they are really serious about teaching values – not just religion. We make a huge effort to teach the values of a successful educational enterprise in our schools. It is very important for students to understand that education cannot proceed unless there is some agreement on important questions of value like: 'do you respect the truth, respect the rights of others to enquire after it, tolerate differing points of view?' These values happen to line up closely with our democratic and constitutional values. We looked for innovation and an entrepreneurial approach to progress in education, not a hard-and-fast model.

Vote of Thanks
Roger Moses

E ARE ALL VERY MUCH INDEBTED to Professor Schmidt for his extraordinarily stimulating and fascinating address.

Public education is crucial because it provides the keys to the kingdom. I was fascinated to read the autobiography of Colin Powell, *A Soldier's Way*. Powell made the following comment:

> I also owe an unpayable debt to the New York public education system. I typified the students that CCNY was created to serve, the sons and daughters of the inner city, the poor, the immigrant. Many of my college classmates had the brain power to attend Harvard, Yale or Princeton. What they lacked was money and influential connections. Yet they have gone on to compete with and often surpass alumni of the most prestigious private campuses in the country. I've made it quite clear that I was no great shakes as a scholar. I have joked over the years that the CCNY faculty handed me a diploma uttering a sigh of relief and were happy to pass me along to the military. Yet even this C average student emerged from CCNY prepared to write, think and communicate effectively and equipped to compete against students from colleges that I could never have dreamed of attending. If the Statue of Liberty opened the gateway to this country, public education opened the door to attainment here. Schools like my sister's Buffalo State Teachers' College and CCNY have served as the Harvards and Princetons of the poor and they served us well. I am consequently a champion of public secondary and higher education. I will speak out for them and support them for as long as I have the good sense to remember where I came from.

Clearly, at one stage, state education was doing a pretty good job in America. But something went wrong. No doubt many of you were influenced as I was to read *The Closing of the American Mind*, by Alan Bloom, which looked at the way in which traditional classical education had undergone something of a demise. I am also reminded of the book *Illiberal Education* in which Dinesh D'Souza looked at what he called the balkanisation of the campus, the way that affirmative action had begun to undermine genuine promotion and genuine education. I am fascinated that in the last ten years there has been something of a reaction and I suspect that it may in small part be a result of the seminal influence of those two books. The whole way of thinking about education has begun to change.

I am proud to be the head of a state school in New Zealand, but I believe that we also have to start thinking how to change the state system. I cannot help but think of old Procrustes. Some of you who know your Greek legends will recall that Procrustes was an innkeeper. He gave a very warm welcome to his guests, but he placed them all on a bed and if they were too short they were stretched, and if they were too long they had their limbs chopped off. I think this Procrustean model – this one-size-fits-all approach – has to some extent affected the way we conduct state education in New Zealand.

You made four points that I believe are of fundamental importance. First of all, the need for us to question first principles. The school day is something we have not thought about closely. My wife is a teacher of five-year-olds. She may have some reservations about continuing the school day until 5.00pm but nevertheless your point is a valid one.

Secondly, I believe that we must make our schools accountable. It is no longer good enough to roll out the old, old story in the old, old way. If public schools are to be valued, we have to show that we are as good as the rest.

Thirdly, we must provide choice. I think it is crucial that we have different kinds of schools within the state system that compete to meet parents' needs and therefore improve the quality of delivery.

Fourthly, we must look at attracting people into teaching. I believe that the average age of teachers in the United States is 51. I think it is about 48 here. I have been a head for six or seven years and I am still on the right side of that average figure. I think attracting quality people into teaching is a crucial issue. I ask you, how many of your sons and daughters are considering teaching as a career? How many of our students in the top 20 of a Form 7 year are looking at teaching as a career? If we are only going to attract the second-best into teaching we can only expect the second-best in terms of the quality delivered.

At a recent awards evening the minister of education gave a very good address. He mentioned the New Zealand propensity to settle for the good and not to make things great. I wrote to the minister and thanked him for his words. I hope I was not churlish, but I did remind him that the reverse could also be true. That is to say, when the state sticks its beak into education, when it begins interfering with the way in which we are delivering the curriculum, there is also the fundamental danger of making the great things good.

Thank you very much, sir, for your fascinating address this evening. I am stimulated by it, I have taken away some great ideas, and I am sure I speak on behalf of everybody else here this evening in expressing my appreciation.

Notes

[1] Quoted in "Reding, Wrighting and Erithmatic", *Wall Street Journal*, 2 October 1989.

[2] Donald T Brash (1996) 'New Zealand's Remarkable Reforms', *Fifth IEA Annual Hayek Memorial Lecture*, Occasional Paper 100, The Institute of Economic Affairs, London.

[3] Friedrich Hayek (c1973) *Law, Legislation and Liberty, vol 1*, University of Chicago Press, Chicago, p 68.

[4] Churchill is quoted in *Isaiah Berlin: A Life*, Michael Ignatieff (1998) Metropolitan Books, New York, p 197.