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PUBLIC SCHOOLS: CAN COMPETITIVE FORCES MAKE A DIFFERENCE?

BY CAROL CUMMINGS

DR. MEL BORLAND, A PROFESSOR OF ECONOMICS AND A DISTINGUISHED PROFESSOR AT WESTERN KENTUCKY UNIVERSITY, IS A LEADING RESEARCHER IN THE AREA OF SCHOOL CHOICE AND COMPETITION AMONG SCHOOL SYSTEMS. WITH HIS COLLEAGUE AND FELLOW ECONOMIST DR. ROY HOWSEN, BORLAND HAS AUTHORED A NUMBER OF RESEARCH ARTICLES ABOUT MARKET COMPETITION AMONG SCHOOLS, OFTEN REFERRED TO AS SCHOOL CHOICE. BORLAND AND HOWSEN FIRST BECAME INTERESTED IN THIS TOPIC MORE THAN TEN YEARS AGO. THEY HAD CHILDREN CLOSE TO THE SAME AGE WHO WERE IN THE SAME PUBLIC ELEMENTARY SCHOOL, AT THE DAWNING OF THE KENTUCKY EDUCATION REFORM ACT (KERA) IN 1990. KERA WAS ONE OF THE

MOST COMPREHENSIVE EDUCATION REFORMS EVER INITIATED IN THE UNITED STATES. IT CALLED FOR TOP-DOWN AND BOTTOM-UP SYSTEMIC CHANGE IN FINANCE, GOVERNANCE, CURRICULUM, AND ASSESSMENT.

"I am an economist, and my specific area of interest is industrial organization," Borland said. "Our research focuses on whether or not an industry performs differently based upon the way in which it is organized. We simply applied this concern to the public school systems," he said.

In their research about competition between schools, Borland and Howsen considered the methods by which industries conduct operations and generate products.

Borland explained that industrial organization is a specific area of interest concerned with industrial structure, conduct, and performance. "Studies of industries, such as the airline industry and the steel industry, are common," he said. "Studies of the effect of structure on conduct and performance in education are relatively recent, but, nevertheless, consistent with studies of other industries and simply the result of the natural expansion of the application of economic analysis."

"Within the past several years, there has emerged a growing body of empirical evidence that suggests greater market competition among schools has resulted in higher student academic achievement," Borland states. "Market competition is dependent on the size distribution of firms, in general, and, for our work, on the size distribution of school districts within well defined market areas, in particular. For example, in an industry where one big firm dominates the market and there are several much smaller firms, there isn't much competition. The same thing applies to schools. Our goal is to look carefully at what determines student achievement so that school leaders can determine what factors can be manipulated for change."

Though much had been written about competition between public schools and private schools, Borland and Howsen were the first researchers to take this a step further to study how public school students benefit from market competition and school choice.

As they conducted their research, Borland and Howsen employed a statistical model of measured student achievement dependent on attendance rate, percentage of graduating students who go on to college, pupil/teacher ratio, measures of cognitive skill, average teacher salaries, the presence of teacher unions, and the rank earned by teachers. The study consisted of more than 33,000 individual student observations in 670 schools across Kentucky.

The results of the research suggest a relationship between student achievement and the degree of market competition." The results confirm previous suggestions that policy-makers should encourage market competition among schools by signing "average daily attendance" agreements that allow students to cross previously restricted school district borders and allow the state

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money allocated for those students to go to the district receiving the transfer students. Moreover, Borland and Howsen found no significant statistical adverse effects such as higher costs or lower performance from these differences in degrees of competition.

"The consistent result of our empirical work, which is now supported by the work of others, particularly by the work of Harvard University's Carolyn M. Hoxby, one of the nation's pre-eminent authorities on school choice, is that increases in the degree of educational market competition result in increases in student academic achievement for associated public school students," Borland said. "We made comparisons of the academic achievement of students of schools in educational markets that differ in the degree of market competitiveness, adjusting for influences of other variables over which policy-makers have no control.

Borland acknowledges that there are many variables over which public school officials have no control, such as parental interest and student cognitive skill levels. "Officials who seek to improve student academic achievement should identify those variables (such as expenditures per child and the existence of average daily attendance agreements) over which they have control that are, in fact, important in their effect on student achievement," he said. "Policy-makers who seek to cause improvement in student academic achievement should construct policies that encourage market competition between schools."

Boland received his B.A. from Centre College, and his M.A. and Ph.D. from Washington University in St. Louis. Howsen received his B.S. and his Ph.D. from the University of Arkansas. Their joint publications on the subject of school choice include, "Student Academic Achievement and the Degree of Market Concentration in Education," and "On the Determination of the Critical Level of Market Concentration in Education," both of which appeared in the *Economics of Education Review*. They are currently involved in the analysis of intra-school competition as related to size distribution of classes within schools. If there are three fifth grade classes in a school, will student achievement be higher than in schools with only one or two fifth grade classes? Borland and Howsen hope to find out, and when they do, they'll let you know.

