Social Choice and the Quasi-market.

This little book contains eight short essays which evaluate the success of the school choice and quasi-market experience in the West in the last three decades. This is a difficult task at best, and without much exception the authors have managed to accomplish the job quite well. This is also, of course, a fractious topic. Much of the movement has been based on strong right-wing ideological beliefs grounded upon the micro-economic model of human behavior, but there have been corresponding counter pressures from the left based on communitarian ideas of social cooperation. Yet the eight authors’ scholarly credentials seem sound based on the little checking up that I was able to accomplish.

Given such credentials, at least as I was able to establish them, the results to those of us in mainstream economic theory are somewhat disappointing. Educational markets and other markets are quite different, apparently. “Efficiency enhancing” is often just good old fashioned budget cutting, with costs reduced in draconian ways, while welfare improvements are obtained for members of the upper socio-economic classes only, with the middle classes, the poor, and minorities left out of the account. In some nations, there were adverse effects when schools were asked to raise funds on their own; this was less possible for parents from poor and working class backgrounds.

While the agitation for choice and decentralization has been widespread, some nations have adopted less than others, and there are some real differences in the percentage of school funds covered by the state. This seems to be important: if the state adopts a generous posture of fully funding all schools (except those paid for fully by parents, but including schools under the nominal control of church and other non-state agencies) then schooling will be more adequately maintained than when the state provides, say, one-third of the funds, leaving another third to be provided by parents and a final one-third by the schools themselves. The first of the above alternatives is close to the systems used in the Netherlands, Germany, and France. (In the Netherlands the state funds all schools although 30 percent of schools are in the state sector and 70 percent are nominally controlled by religious groups or private agencies; in Germany the State funds 100 percent of the 99 percent of students found in the state sector; in France, the state funds 100 percent of the 85 percent of students found in the state sector. Thus in Germany one percent of students go to schools paid for by parents while in France 15 percent of students go to schools where their parents pay for their tuition. On the other hand, the second scenario mentioned above is the system close to that in Australia, New Zealand, and for a few years in the 1990’s, Sweden.

The other two nations discussed, the U.K. and the U.S.A., fall in between these two. Thus a fully private sector in the U.S. amounts to 12 percent of enrollment and a fully private sector the U.K. accounts for 7.5 percent. In the U.S., curriculum is decentralized at state and local levels (especially the former) with some federal programs placed on top of this, especially for compensatory education. In both countries there was considerable experimentation with privatization, voucher schemes, and charter or technical (Britain) schools during the 1980’s and early 1990’s, although these efforts never got to be very large relative to the total.

In all of these nations there is considerable tracking employed within their state sectors, so not only are the socio-economic pressures great in the true private schools (of course), but many of these same pressures exist in the public school sectors where strong “birds of a feather flock together” syndromes exist, especially since the advent of the school choice movement. A universal complaint present in these eight studies is that parents and children pay excessive attention to socio-economic ambience over strictly academic performance. Thus, decentralization by itself does not seem to be enough. Nor does increasing the pricing responsibilities placed on parent and schools seem to help; when this is done tacky things seem to happen, including the tendency to fall back on lower budgets which investigators suspect to be just that, as opposed to increases in efficiency. (Throughout the book, what little evidence there is of cost and efficiency differences that is given is inconclusive.)

Another key point made by most of these authors has to do with the fact that if the school system comes round to the position where the schools can pick and choose their own students, this is an unhealthy situation. It is not the working of markets. Within available space I will only quote from the conclusions of one of the authors, Walford for the U.K. (Walford is also general editor of the book.) His remarks are not too atypical of many others.
“In summary, the main purpose of the recent moves toward greater choice is not to build a more democratic and fair educational system but to rebuild a more differentiated educational system which will more closely aid social reproduction. The ideology of the market and choice acts to partially mask this process, and while it may allow a few individuals to benefit, the majority have much to lose.”

For persons interested in the school choice movement, reading and careful study of this little book is a must assignment. But those who had placed high hopes in the movement will find it quite disappointing.

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The Economics of Education: An Analysis of College-Going Behavior.

This book presents an interesting articulation of economic theory and its application to the decision processes potential students go through when they decide whether to attend college. The volume, published originally in Japanese in 1995, was translated by the author and published in English in 1998.

The book contains much that can be recommended for use in classes on the economics of higher education. Arai presents clearly and accessibly the two major economic theories, human capital and signaling, that help to explain the college-going decisions made by individuals. His explanation of the existing theories of Becker, Schultz, and Mincer (human capital) and Spence, Stiglitz, Arrow, and Burdett (signaling) should be understandable to students in undergraduate courses. The author provides appendices explaining the fundamentals of wage determination in labor markets and regression analysis. These appendices are helpful to students who have had some earlier training in microeconomics and/or econometrics, but have not used either recently. While a few of the statistical explanations and analysis may be beyond the reach of introductory economics students (the author has helpfully noted those sections that are more advanced and can be skimmed with little loss of key principles), the main theories should be accessible to most.

After describing the economic theories, Arai provides examples of their application to college-going behavior in Japan. Using time-series data derived from Japanese government statistics, the author demonstrates how cost/benefit and internal rate of return analyses explain changes in the college enrollment rates of Japanese youth. In addition, he uses data from the 47 Japanese prefectures to provide a cross-sectional analysis of how background characteristics such as family income and parental education work with wage and price structures to influence college enrollment.

The examples provided in the book are clearly derived and adequately assist the reader in understanding how economic theory plays out in practice. Arai indicates the limitations of the theories in explaining college-going behavior, and notes where certain theories appear to have more explanatory ability than others.

A major characteristic of the book is its focus on the higher education market in Japan. While the author does provide a helpful appendix explaining the structure of the Japanese educational system, the differences between the Japanese and American systems (and societies in general) limit the usefulness of the volume for those interested in higher education in the United States. A few examples may help to illustrate this point.

The two choices for Japanese postsecondary students are to attend a four-year university or a two-year junior college. While at first glance this may be similar to the distinction between four-year institutions and community colleges in the United States, the admissions process for Japanese universities is different than that of comparable institutions in this country. While elite institutions on this side of the Pacific rely heavily on nationally-administered standardized tests and high school grades, each Japanese institution administers its own unique entrance examination. In addition, many of the private institutions operate continuous education programs from kindergarten through graduate education. Students who enter these institutions in the elementary or secondary years are often guaranteed admission to the postsecondary program. These structural differences affect the analysis of both the supply and demand sides of the postsecondary education market in Japan as compared with that of the United States.

Another important difference between the two systems is the relationship between private and publicly-funded institutions. In Japan, private higher education dominates, enrolling the majority of students. In the United States, the reverse is true; the dominance of public institutions, where the tuition price is heavily subsidized through governmental appropriations, leads to greater market distortions than in the Japanese higher education market.

A third distinction between the two systems is the presence of financial aid in the American system. While there are some loans for postsecondary education in Japan (and the author spends some time describing the impact of capital market imperfections on college...