Review of Eric A. Hanushek's

*Making Schools Work*


**Herbert Gintis**

University of Massachusetts, Amherst, MA 01003
gintis@econs.umass.edu

**Abstract:**

*Making Schools Work* is about the economics of educational policy. The Brookings Institution, publisher of the volume, is among the most respected institutions of economic policy research in the United States. The analysis and recommendations offered by Eric Hanushek, Professor of Economics at the University of Rochester, are based on original research financed by the Pew Charitable Trusts, and carried out by a distinguished group of economists.

"Despite ever rising school budgets, student performance has stagnated," writes Hanushek, and *Making Schools Work* addresses this single problem. To reverse this tendency, Hanushek proposes three broad principles of reform: increase the efficiency of resource use, use performance incentives on schools, teachers, and administrators to increase the effectiveness of teaching, and increase the rate of experimentation with educational alternatives, replacing less effective techniques and organizational forms with more effective ones Hanushek calls this "continuous learning and adaptation." In defense of this clearly economic response to the problem of educational reform, Hanushek writes "Some have argued that schools are too important to be subject to economic rigor. We argue that, on the contrary, they are too important not to be." (p. xvii)

To support the assertion that schools have become economically inefficient, Hanushek
documents the fact that real per pupil expenditure has increased at the rate of about 3.5% per year (p. 31), the ratio of non-instructional to instructional expenditure increased from less than 20% to more than 50% of total school costs, while such achievement measures as SAT scores, reading achievement, and mathematics achievement have shown virtually no changes (pp. 41-43). Nor can this lack of educational output be explained by increases in the fraction of minority students, since the trends hold for whites alone, and minorities have made significant gains since 1980 in all these performance measures (pp. 41-43).

Some will find the proposals offered in *Making Schools Work* harsh, economistic and unfeeling, since Hanushek appears to be asking schools to conform to standards of efficiency appropriate to the private sector and to activities less imbued with social meaning than the training of our youth. Others will find *Making Schools Work* excessively deferential to the vast bureaucracy of public schooling, its proposals tentative to the point of impotence in the face of the entrenched interests that benefit from the maintenance of the educational *status quo*.

I believe *Making Schools Work* in fact falls squarely in the second category. Hanushek makes pro forma bows to the issues that economic theory tells us are likely to be important in improving educational efficiency, but is so mindful of not importuning the educational establishment that the proposals lack any bite. For instance, Hanushek proposes that teachers be subjected to merit pay and performance contracts. However he proposes "two-tier" employment contracts, with incumbent teachers following traditional incentives, but newly hired teachers being subject to innovative incentive schemes. There is no estimate of the amount of time it will take for such contractual forms, assuming they are effective for new teachers, to result in quantitative improvements in educational performance. He gives no economic reason for avoiding immediate implementation of incentive schemes for teachers, but is ever attentive to the political resistance such measures encounter in the "real world" under current conditions.

The reform proposals in *Making Schools Work* flow from the standard economic notion that an industry will deliver its product efficiently and flexibly to its customers if there are many competing providers, each having an incentive to produce efficiently with the prospect of positive reward for success, and disappearance for failure. In this case the product is "educational services," while the customers are students, parents, and voters. However the usual economic mechanism for implementing effective incentives is a competitive product market with consumers empowered to choose among providers according to their personal tastes.

However, in *Making Schools Work*, Hanushek never even mentions the fact that this is the standard model for the delivery of services, and never gives reasons why such a model is not applicable in the delivery of educational services. The question of "school choice" is mentioned favorably at one point (pp. 104-111), but is buried in a long list of possible "incentives" available to the educational system, including merit pay for teachers, merit schools and school-based management. One would hardly expect this approach from a group of economists working under the aegis of an economic policy institute such as the Brookings Institution. Rather, one would expect (and I would have welcomed) a detailed treatment of the issue of competitive educational delivery as a basic instrument for the achievement of the goal of improving the performance of the system.

There are, of course, many problems in transforming American education into a competitive system attuned to the needs and wishes of parents and students, and it may very well be that a fully competitive system would be undesirable. But it is the job of economists to bring the relevant considerations before the public eye, and to address the issues in the same format as other issues in the provisionment of publicly financed services. *Making Schools Work* has simply
ducked these institutional and politically charged issues, producing a document that points in the right direction, but allows "political realism" to stand in the way of forthright, economically defensible, policy advice.

About the Author

Herbert Gintis is Professor of Economics at the University of Massachusetts at Amherst.

He has jointly authored with Samuel Bowles (University of Massachusetts) Schooling in Capitalist America: Educational Reform and the Contradictions of Economic Life (New York: Basic Books, 1976), Democracy and Capitalism: Property, Community, and the Contradictions of Modern Social Thought (New York: Basic Books, 1986), and is co-editor with Samuel Bowles and Bo Gustafsson (University of Uppsala) of Democracy and Markets; Participation, Accountability, and Efficiency (Cambridge: Cambridge University Press, 1993). In addition he is co-author with Christopher Jencks (Northwestern University) et al. of Inequality: A Reassessment of the Effects of Family and Schooling in America (New York: Basic Books, 1972), and is co-editor with Gerald Epstein (University of Massachusetts) of Macroeconomic Policy After the Conservative Era: Studies in Investment, Savings, and Finance (Cambridge: Cambridge University Press, 1995).

He has also written many journal articles, has been Visiting Professor of Economics at Harvard University and the University of Paris, Visiting Professor of Sociology at Harvard University, and a Fellow of the Institute for Advanced Study, Princeton, New Jersey. He is currently writing two books with Samuel Bowles (one on "new microfoundations of economic theory," and the other an application of this theory to economic policy). He is currently co-editor of the journal Metroeconomica, and cochair with Professor Paul Romer (University of California, Berkeley) of the MacArthur Foundation research project "The Human Side of Economic Analysis: Economic Environments and the Evolution of Norms and Preferences."

Herbert Gintis
Phone: 413-586-7756 Fax: 413-586-6014
Department of Economics
University of Massachusetts
Amherst, MA 01003

gintis@econs.umass.edu

http://www-unix.oit.umass.edu/~gintis/

Copyright 1995 by the Education Policy Analysis Archives

EPAA can be accessed either by visiting one of its several archived forms or by subscribing to the LISTSERV known as EPAA at LISTSERV@asu.edu. (To subscribe, send an email letter to LISTSERV@asu.edu whose sole contents are SUB EPAA your-name.) As articles are published by the Archives, they are sent immediately to the EPAA subscribers and simultaneously archived in three forms. Articles are archived on EPAA as individual files under the name of
the author and the Volume and article number. For example, the article by Stephen Kemmis in Volume 1, Number 1 of the Archives can be retrieved by sending an e-mail letter to LISTSERV@asu.edu and making the single line in the letter read GET KEMMIS V1N1 F=MAIL. For a table of contents of the entire ARCHIVES, send the following e-mail message to LISTSERV@asu.edu: INDEX EPAA F=MAIL, that is, send an e-mail letter and make its single line read INDEX EPAA F=MAIL.

The World Wide Web address for the Education Policy Analysis Archives is http://seamonkey.ed.asu.edu/epaa

Education Policy Analysis Archives are "gophered" at olam.ed.asu.edu

To receive a publication guide for submitting articles, see the EPAA World Wide Web site or send an e-mail letter to LISTSERV@asu.edu and include the single line GET EPAA PUBGUIDE F=MAIL. It will be sent to you by return e-mail. General questions about appropriateness of topics or particular articles may be addressed to the Editor, Gene V Glass, Glass@asu.edu or reach him at College of Education, Arizona State University, Tempe, AZ 85287-2411. (602-965-2692)

Editorial Board

John Covaleskie  
jcovales@nmu.edu  
Andrew Coulson  
andrewco@ix.netcom.com

Alan Davis  
adavis@castle.cudenver.edu  
Mark E. Fetler  
mfetler@ctca.ca.gov

Thomas F. Green  
tfgreen@mailbox.syr.edu  
Alison I. Griffith  
agriffith@edu.yorku.ca

Arlen Gullickson  
gullickson@gw.wmich.edu  
Ernest R. House  
ernie.house@colorado.edu

Aimee Howley  
ess016@marshall.wvnet.edu  
Craig B. Howley  
u56e3@wvnvm.bitnet

William Hunter  
hunter@acs.ucalgary.ca  
Richard M. Jaeger  
rmjaeger@iris.uncg.edu

Benjamin Levin  
levin@ccu.unmanitoba.ca  
Thomas Mauhs-Pugh  
thomas.mauhs-pugh@dartmouth.edu

Dewayne Matthews  
dm@wiche.edu  
Mary P. McKeown  
iammpm@asuvm.inre.asu.edu

Les McLean  
lmclean@oise.on.ca  
Susan Bobbitt Nolen  
sunolen@u.washington.edu

Anne L. Pemberton  
apembert@pen.k12.va.us  
Hugh G. Petrie  
prohugh@ubvms.cc.buffalo.edu

Richard C. Richardson  
richard.richardson@asu.edu  
Anthony G. Rud Jr.  
rud@purdue.edu

Dennis Sayers  
dmsayers@ucdavis.edu  
Jay Scribner  
jayscrib@tenet.edu

Robert Stonehill  
rstonehi@inet.ed.gov  
Robert T. Stout  
stout@asu.edu