

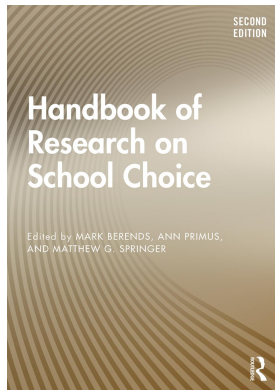
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1

ECONOMIC PERSPECTIVES ON SCHOOL CHOICE

Susanna Loeb and Jon Valant

School choice, as an education reform strategy, brings both promise and peril. On the one hand, most parents profoundly love and know their children, making them uniquely well positioned to choose schools that satisfy their children's needs and their families' preferences. If schools compete for parents' enrollment in a school marketplace, we might expect good matches between what families want and what schools provide. On the other hand, choosing schools is difficult and parents make choices without full information. Moreover, even a system that efficiently matches students to schools might not be optimal if families have different local opportunities or if families' preferences do not align with overall system goals.

This chapter provides a framework for considering the relative merits of school choice and market-based education reform. We draw on perspectives from economics that highlight the potential benefits of individual decision-making and market competition. We also highlight the market failures that may inhibit realization of those benefits and the distributional considerations that even well-functioning markets do not address. In developing that framework, we describe how the principles at the heart of school choice—choice, autonomy, and accountability—present a set of interrelated questions to policymakers about how to design sensible, coherent school choice reforms.

To begin, we place market-based education reform in the context of the possible approaches to school governance. While market-based approaches and top-down government control are sometimes presented as distinct choices, virtually all education systems contain at least some degree of parental choice and some degree of government involvement.

Governance Approaches

A central government could control all aspects of schooling, with children compelled to attend. Governments could design the school buildings, choose the teachers, and select the curriculum and instructional materials. They could decide where schools locate and which students attend which schools. In fact, this approach overcomes many of the disadvantages of school choice reforms that give parents responsibility for the education of their children. Parents would not need to have the knowledge, skills, and dispositions to make informed choices for their children, nor the resources or loans to pay for schooling.

However, this centralized governance approach has drawbacks. The central authority would likely not understand the varied needs of different communities or how to take advantage of local

opportunities to meet those needs. Some student groups might benefit from teachers with particular skills or instructional approaches, which could be difficult to see from afar. In a large and diverse setting, especially one with a tradition of more local control of schooling like the United States, a highly centralized system may be too inefficient in maximizing local opportunities and too uniform in disregarding parents' varied preferences to be acceptable.

Given the drawbacks of pure centralization, most governments find alternatives, fully funding a public education system but varying how the system is run. Broadly, we can categorize education governance approaches into four types (Brighthouse, Ladd, Loeb, & Swift, 2018). *Centralized control*—often through regulations but also through direct service provision—is one. Teacher certification requirements and class size limits are examples of centralized control over school operations. These regulations could define all aspects of schooling, as in the scenario we described above. A second approach is local *political accountability*. By setting up local political structures, such as school boards, central governments provide a mechanism for public oversight over schools while still allowing for the utilization of local knowledge and variation across jurisdictions. Third, governments can employ a *direct-accountability approach*, providing funds to schools or groups of schools but holding those organizations responsible for measured outcomes (Figlio & Loeb, 2011). The No Child Left Behind Act (NCLB) and the more recent Every Student Succeeds Act (ESSA) embody this approach. While NCLB is notorious for its focus on math and reading test scores, direct-accountability systems could use a range of measures, from surveys of students, teachers, or parents, to observations of school functioning, to test performance, absenteeism, and graduation rates.

A fourth approach to governance is *market accountability*. This approach relies on families to choose schools that meet their needs. Parents learn which schools provide the education that most aligns with their preferences, and schools, to attract parents, work to provide an education that parents want for their children. (For simplicity, this chapter refers to those who choose schools as parents, but in reality many people are involved in choosing schools, including the students themselves.) Market accountability can work at the district level, with parents choosing among districts to find the one that meets their needs (Corcoran, 2014). However, the cost of moving long distances to find a school system that meets one's needs restricts the power of choice at that level. Market accountability could also work at the level of individual educational inputs, with parents choosing each course or activity for their child, but the requisite informational and time demands could be too great to make this feasible for most parents. Thus, the focus of market accountability has been at the school level. Parents try to choose schools that are more effective for their particular goals and children.

School choice systems in the U.S. make use of market accountability in systems that often combine other government approaches, particularly regulations and direct accountability. Parents have choice, but it is choice among schools that face some regulations and are held accountable for some outcomes. In what follows, we describe school choice in public education and factors to consider in combining choice, regulation, and accountability.

School Choice and the Principles of Choice, Autonomy, and Accountability

Much of the U.S. education policy debate over the last 25 years has focused on questions about three topics: 1) *Choice*: Should the government create opportunities for families to select alternatives to their local public schools? 2) *Autonomy*: How, if at all, should the government regulate school inputs? And 3) *Accountability*: How, if at all, should the government reward or punish schools for their outcomes?

Choice

The basic economic argument for school choice is straightforward. School-choosing families know their own children and preferences for schools. If they, as consumers, are free to choose from an assortment of options from producers who compete for their enrollment, then the market will—under certain assumptions—reach an equilibrium in which no one could be made better off without making someone else worse off. The resulting school assignments could be more advantageous to some families, or groups of families, than others, but the system would have this type of (Pareto) efficiency. In addition, as producers strive to attract families, the resulting competitive pressures could “lift all boats” by inducing schools to innovate, improve, and provide the types of education that parents value (Hoxby, 2003). In time, the seats offered should reflect best available practices overall and meet the varied demands of different families. This differentiation could be harder to achieve in a traditional district system in which the government, with monopolistic control of tuition-free options, determines what type of schools to provide.

In fact, school choice is part of even our most traditional district systems. Parents have long chosen which schools their children attend by paying for private school or incorporating school considerations into their decisions about where to live (Black, 1999; Figlio & Lucas, 2004; Bayer, Ferreira, & McMillan, 2004; Corcoran, 2014). Charles Tiebout, in a seminal 1956 paper, provided a theory that economists have used to understand people’s residential and school choices. By offering bundles of government services at particular tax rates, municipalities create markets in which families can choose the combination of services and taxes that maximizes their utility. Schools are important parts of those bundles.

For a number of reasons, we might want to decouple school choice from residential choice. Some of these reasons are not rooted in economic reasoning. The U.S. is residentially segregated by race, ethnicity, and class. Residence-based school assignment is likely to reproduce much of that segregation across schools. Moreover, the ability to choose one’s schools by selecting a desirable place to live is highly dependent on one’s wealth and income, raising concerns about the fairness of residence-based school assignment (Coons & Sugarman, 1978). Jeffrey Henig (1994), in his book *Rethinking School Choice: Limits of the Market Metaphor*, argues that “nonmarket” rationales, such as decoupling residential choice from school assignment, provide a more compelling case for school choice reform than market rationales. Other arguments are more firmly rooted in economic reasoning. For example, an implication of the Tiebout model is that a family’s options will be more varied and plentiful—and the competitive market forces stronger—if goods are provided at the local level rather than a higher level of centralization. Enabling families to choose from an assortment of schools, rather than from an assortment of neighborhoods, could enrich a family’s options and improve the functioning of a market for schools.

While school choice markets share some features with other markets, they differ in important ways. One such difference is that price typically does not differentiate schools from one another. In a market for, say, ice cream, the relationship between supply and demand defines the equilibrium market price. Greater demand or lower supply yields higher prices, and any firm that cannot sustain itself at this market price will not survive. It might find different market prices through “horizontal product differentiation” (e.g., offering different flavors) or “vertical product differentiation” (e.g., producing better ice cream), but the firm’s existence depends on its ability to provide consumers with ice cream they want at a price they are willing to pay. Because public schools are free, price does not serve the function it would in other markets. Schools must differentiate themselves in ways that attract families, while staying within budget. Similarly, when schools are run by governments or nonprofit organizations, profit does not motivate producers like it does in other markets. Other abnormalities include that obtaining some type of schooling—unlike some type of ice cream—is

legally compulsory, and parents, in choosing schools, often act as agents for their children's long-term interests.

Combined with these abnormalities in school choice markets, there are a number of obstacles that can interfere with parents' choices—and the potential for those choices to produce desirable outcomes. Consider a few of these challenges and their implications as described below.

The first challenge involves *informational barriers* for school-choosing families. Choosing schools is difficult. It is difficult to know what to seek in a school, such as how much weight to place on learning in core academic subjects versus school culture. It is difficult to evaluate schools, because of both the challenge of finding high-quality information about schools and the complexity of using that information to assess how a school would serve a particular child. Even if a parent knows what she is looking for and which schools offer it, navigating school choice processes themselves—figuring out what to do and when to do it—can be difficult (Gross, DeArmond, & Denice, 2015). Information shortcomings can be especially severe for families who are disconnected from social networks that carry rich, “informal” information about schools and who struggle to find and navigate “formal” information sources (Schneider, Teske, & Marschall, 2000). Information in school choice settings has become an active research area, with findings indicating that what, and how, information is presented can affect parents' choices (Hastings & Weinstein, 2008; Corcoran, Jennings, Cohodes, & Sattin-Bajaj, 2018; Glazerman, Nichols-Barrer, Valant, & Burnett, 2018).

The second challenge involves *transaction costs* for school-choosing families. A school choice process requires resources—resources that most would rather use on other pursuits. In some places, families must physically drop off application materials at individual schools, sometimes during narrow time-windows before a school-specific application deadline. New York City, in reviewing its “limited unscreened” admissions processes, has seen how these types of requirements can be especially burdensome for disadvantaged families (New York City Department of Education, 2017). Eliminating these requirements and adopting unified enrollment systems that let parents apply to multiple schools through a single application can help (Gross & Campbell, 2017), and there could be ancillary benefits to having parents spend more time thinking about what type of school (and life) they want for their children. However, the costs involved with choosing schools can affect how and whether parents participate.

The third challenge, flowing at least in part from the first two, involves the reality of parents making *boundedly rational choices*. Underlying neoclassical economic theory is a notion of a chooser who is perfectly informed, rational, and self-interested, with a commitment to examining all of the options available and choosing the utility-maximizing one. This, of course, is not the reality of human decision-making. Confronted with limits in time availability, knowledge, and skills, we use shortcuts and heuristics to simplify complex decisions (Simon, 1990). Families may, for example, choose the first option that seems good enough rather than the one that they believe maximizes their utility (a practice known as “satisficing”). In practice, parents often consider very few schools, even when they have many options available (Bell, 2009).

A fourth challenge, described in greater detail in the “Accountability” section of this chapter, involves the *externalities*, or spillovers, in education. Parents make educational decisions based on the interests of their children and families, but a child's education can affect many others in society. For example, educational attainment can affect crime rates (Lochner & Moretti, 2004), as well as voter participation and civic knowledge and attitudes (Dee, 2004). Parents, when thinking about their own children, might not incorporate these considerations.

A fifth challenge, or set of challenges, linked to the abnormalities in the markets for schools involves the *limited supply of schools* from which to choose. Consider an open enrollment system that allows families to choose from the public schools within their district but does not ease the entry of new schools into the market or provide autonomy to schools to try new approaches and differentiate their offerings. In such a market, demand for seats in high-performing schools often far exceeds

the supply. Many families want a given school, but not all of them can obtain a slot. Less-preferred schools can sustain adequate enrollment by virtue of the actually desired schools being full (Lincove, Valant, & Cowen, 2018). Moreover, schools may not have the flexibility or incentive to respond to the differentiated preferences of parents. Even if parents can choose the schools they think are best for their children, they might not find options they like—or options that are meaningfully different from one another.

This list is long but not complete; nonetheless, the existence of the obstacles does not necessarily imply that increasing families' choices would be harmful. Even a small group of informed, engaged "marginal consumers" could infuse school choice markets with information and generate healthy demand-side pressures (Schneider et al., 2000). Moreover, choice can be valuable for reasons other than its role in markets. Many parents value the ability to choose, and the ability of more affluent families to choose schools through residential location and private options creates inequalities across families separate from those induced by quality differences between the schools their children attend.

Next, we look more closely at the supply of schools of choice, focusing on questions about school-level autonomy. Choice and autonomy are inextricably linked. Autonomy promotes variety, and variety makes choice meaningful.

Autonomy

Debates about autonomy in education have focused on the level of operational freedom afforded to schools. Historically, teachers in traditional public schools (TPSSs) have had considerable discretion over the design and implementation of lesson plans, while principals and other administrators have had responsibilities—and decision-making authority—related to staff leadership and day-to-day management (Hornig, Klasik, & Loeb, 2010). However, many of the most consequential decisions come from outside of schools. These decisions include those about personnel (e.g., whom to hire and fire), curriculum and instruction (e.g., which topics to teach and textbooks to use), scheduling (e.g., how to allocate students' and teachers' time), budgeting, and defining a school's mission or theme.

With governmental authority in education distributed across institutions and agencies, many entities make decisions that affect schools. A school might use curricular materials that district officials select to teach content standards that the state legislature defines—to align with assessments federal law requires—within an academic calendar that the local school board creates. Specific arrangements differ across states and localities, but many government voices shape and regulate the behaviors of U.S. schools.

Economics and political science offer various theories of government regulation that have been classified as either "public interest" or "private interest" theories (den Hertog, 2010). Public interest theories see government as the solution to market failures that arise from externalities, monopolies, and other limitations of markets in serving public interests. The government, in this view, has the tools (authority and resources) and motivation (accountability to the voting public) to intervene in markets and increase social welfare. Private interest theories emphasize the vulnerability of governments to regulatory "capture," in which a small number of interest groups exert disproportionate political power and convince policymakers to serve the groups' private interests (Stigler, 1971; Becker, 1983).

Two seminal academic works on school choice—Milton Friedman's 'The Role of Government in Education' (1955) and John Chubb and Terry Moe's *Politics, Markets, and America's Schools* (1990a)—develop arguments for school choice reform from contrasting theories of regulation. Friedman (1955) took a public interest view. He argued that the government ought to be involved in education for reasons that include the externalities of primary and secondary schooling and imperfections in capital markets for higher education. Friedman, however, saw this as justifying the financing of education—with modest regulation to ensure that schools serve societal interests—and not its administration. He argued that a failure to recognize this distinction has led governments

to involve themselves too heavily in the operation of schools, and thus had impeded competition and corrupted schools' incentives. Chubb and Moe (1990a) built an argument for school choice on an unabashedly private interest theory of regulation. In their view, the notion that a government-administered education system will serve public interests misunderstands the reality of how the government operates. They worried about a system built to serve the desires of politicians, interest groups, and taxpayers before the desires of parents.

One type of interest group, teacher unions, features especially prominently in policy discussions of autonomy in education. Collective bargaining agreements (CBAs) place limits on how schools can manage teachers. CBAs define educational processes such as how schools can evaluate, compensate, and dismiss teachers, which teachers have access to which positions, and how much time teachers spend on school-related tasks. Critics of teacher unions argue that CBAs make schools responsive to teachers' interests rather than students' interests. Proponents contend that serving teachers' interests indirectly serves students' interests by making the teaching profession desirable and enabling teachers to focus on their most important responsibilities.

Although teacher unions have resisted school choice reforms and only 11 percent of charter schools participated in CBAs with teacher unions in 2016–17 (National Alliance for Public Charter Schools, 2018), some of the early visions of charter schools came from educator Ray Budde and union leader Albert Shanker. They saw potential for charter schools to empower teachers to enrich their instruction by liberating schools from burdensome district requirements and regulations (Kahlenberg, 2007). Oberfield (Chapter 10, this volume) describes related research, showing that charter school principals typically have greater autonomy than district school principals, while charter school teachers experience greater autonomy in some, but not all, aspects of their work. Ni (2012) found that charter school teachers report having more influence over school policy but similar levels of classroom autonomy.

The degree of autonomy afforded to teachers, administrators, and other leaders affects the variation in students' experiences across schools. We would expect an education system that emphasizes school-level autonomy to yield more variation in students' experiences than a system that rigidly prescribes how all schools behave. This variation encompasses what types of schools are available such as their missions, pedagogies, and curricula (horizontal differentiation) as well as variation in school quality or how effectively schools do what they aim to do (vertical differentiation).

Increasing horizontal and vertical differentiation can produce tradeoffs between social cohesion and equity, on the one hand, and choice and innovation on the other (Levin & Belfield, 2003). Providing students with a similar type of education across schools may instill a shared set of knowledge, skills, and dispositions helpful in building a cohesive society. This aim for societal cohesion was part of Friedman's externalities argument for publicly funded schools, based on the idea that schools serve public purposes as well as private ones. Providing students with a similar quality of education across schools can also help to reduce the number of low-quality schools and perhaps to limit opportunity and achievement gaps.

A study of Texas charter school performance illustrates how increasing autonomy might expand the range (or flatten the distribution) of school performance even without having much effect on schools' average performance. Hanushek, Kain, Rivkin, and Branch (2007) showed the distribution of schools' value-added performance on state assessments. While the performance distributions for charter and TPSs revealed similar levels of average performance across school types, the charter school distribution had a greater proportion of very high- and very low-performing schools. This greater variation could be cause for celebration on the upper end of the distribution and cause for concern on the lower end. Charter schools showed that individual schools could meaningfully benefit students, but also that reduced regulations allowed for unusually ineffective schools.

The upsides of differentiation are to give parents meaningfully different choices and to let schools experiment with new ways of teaching. Encouraging schools to differentiate horizontally might

create options for parents with particular desires for schools' pedagogy (e.g., student-centered or experiential learning), mission (e.g., college preparatory or fine arts), and specialty (e.g., teaching students with dyslexia). However, some form of accountability may be beneficial to create guardrails in a setting with highly autonomous schools.

Accountability

The third principle at the core of school choice reforms is school accountability. Choice itself produces a type of accountability. A school's funding depends on its ability to convince families to enroll. A popular school should have a sufficient inflow of students and resources to persist—and perhaps expand or multiply. A school that struggles to attract families risks being displaced by more popular alternatives. These market forces should intensify schools' incentives to provide a high-quality experience that aligns with parents' desires.

Chubb and Moe (1990a) saw these incentives to serve parents' desires as the defining strength of school choice reforms. Labaree (1997), though, worried about schools aiming to serve families' private interests (such as college and career success), leaving their pursuit of collective social, political, and economic goals to the chance that parents' interests happen to overlap with public interests. Valant and Newark (2017) explored the relationship between these interests by comparing what parents want from their children's schools to what adults want from U.S. public schools. They found very similar desires across these two (nationally representative) groups.

Understanding what parents want from schools is important for understanding the pressures of market-based accountability. When parents are surveyed or interviewed, they consistently report academic factors as their primary criteria (e.g., Altenhofen, Berends, & White, 2016; Stein, Goldring, & Cravens, 2011; Harris & Larsen, 2017; Fleming, Cowen, Witte, & Wolf, 2015). Though, when parents are concerned about their children's safety, school safety can surpass academics atop their lists (Stewart & Wolf, 2014). Survey and interview responses are subject to biases, such as social desirability bias, that might lead parents to exaggerate the importance of academic considerations (Stein et al., 2011).

Studies from Charlotte-Mecklenburg (Hastings, Kane, & Staiger, 2009), Denver (Denice & Gross, 2016), New Orleans (Harris & Larsen, 2017; Lincove, Cowen, & Imbrogno, 2018), and Washington, D.C. (Glazerman & Dotter, 2017) have looked at the actual choices parents make. In general, these studies found proximity to home to be the most powerful predictor of choice, but academically higher-rated schools were in greater demand. Studies of parents' revealed preferences also show patterns related to student demographics—including a tendency to avoid schools with large concentrations of students of color, with a possible taste for some diversity (e.g., Schneider & Buckley, 2002; Denice & Gross, 2016). These preferences could affect racial and socioeconomic integration in choice-based systems—and whether markets value schools based on their quality or on what types of students they enroll. Thus, a potential concern of choice is that parents' preferences do not align with societal preferences. The extant evidence shows mixed results; many parents' goals align with the broader educational goals of the state education system, but some—such as for peers from similar racial and ethnic backgrounds—do not.

While misalignment of goals may create drawbacks for using market-based accountability, imperfect information presents a clearer problem. Parents have difficulty identifying what schools do well and what they do not, and these information asymmetries can interfere with schools' incentives to provide a high-quality education that meets families' needs. Research on how school leaders respond to competition suggests that schools tend to focus on their marketing efforts rather than their instructional programs, providing evidence that marketing can be a more powerful lure to parents than actual educational improvement (Lubienski, 2007; Loeb, Valant, & Kasman, 2011; Jabbar, 2015; DiMartino & Jessen, 2016).

Given the potential disadvantages of using choice as an accountability mechanism for public schools, more direct accountability has featured prominently in discussions of school choice reform. The notion of school accountability that has become influential in the U.S. and elsewhere involves evaluating school performance on the basis of student performance measures (Figlio & Loeb, 2011). This type of direct accountability is not common in consumer markets. Consider, for example, that while ice-cream manufacturers confront some regulations in production, governments do not sanction or reward companies based on government-defined ice-cream performance measures. They rely on markets for that. With school choice reforms, accountability involves a complex mix of various types and sources of accountability—regulation, markets, and direct measures.

Ever since NCLB and the similarly motivated state policies that preceded it, states have held schools accountable for achieving outcomes defined by federal and state law (Carnoy & Loeb, 2002; Hanushek & Raymond, 2005; Dee & Jacob, 2011). The centerpiece of these accountability measures has been students' performance on state tests, particularly in math and English. ESSA created more flexibility for states to identify performance outcomes, but assessments in academic subjects remain a primary focus of state accountability plans.

The logic behind outcomes-based accountability is to focus more on whether schools provide students with a high-quality education and less on how they do it, since schools might know better than policymakers which approaches are best for their students. Outcomes-based accountability argues for providing schools with operational autonomy and then evaluating their performance on government-defined outcome measures. Schools have been sanctioned—and, less often, rewarded—based on their performance on these measures. Details vary across program types and locations, but many school choice programs are subject to the same state accountability policies as TPSs. This combination of choice and direct accountability means that schools must ensure that they satisfy the requirements of state accountability systems while maintaining sufficient appeal to attract families in school choice markets.

In addition to being subject to the outcomes-based accountability policies applied to TPSs, some schools of choice are subject to accountability measures designed specifically for them. Perhaps the clearest example of this is charter schools' accountability to authorizers who periodically decide whether to renew (reauthorize) or terminate a school's charter. Typically, this process begins when a prospective charter school operator submits an application that describes the would-be school and the outcomes for which it agrees to be held accountable. A state-approved authorizing body then reviews the application and, if desired, opens negotiations with the operator. If the application is approved, it becomes a contract, or charter, that defines terms for the school's renewal. Authorizers have considerable latitude in deciding to close a charter school, with closures resulting from issues such as financial and ethical mismanagement as well as evidence of poor academic performance (Consoletti, 2011).

The Interrelatedness of Choice, Autonomy, and Accountability

Principles of choice, autonomy, and accountability provide the conceptual foundation for today's school choice reforms. These principles do not operate independently of one another. Rather, they interact, sometimes subtly, leaving policymakers with the challenge of designing policies and programs that stitch together these principles in constructive ways. Consider some of their interactions.

Autonomy Can Make Choice Richer

A centrally administered school system with rigid controls to standardize what and how schools teach is unlikely to have much horizontal differentiation even if some schools are better than others. However the richness of a family's choices, and their ability to match their children's schooling with

their preferences, is defined in part by whether schools are substantively different from one another, not just whether they are better or worse than one another. Autonomous schools can pursue different ends (e.g., math and science or the performing arts) and different means to their selected ends (e.g., various curricula, pedagogies, and school cultures). All else equal, we would expect greater autonomy to yield a more diverse set of choices. In education, autonomy begets variety and variety enriches choice.

Accountability Can Constrain Schools' True Autonomy

The rationale underlying today's outcomes-based accountability (and, to some extent, authorizer accountability) is that schools should be relatively free to choose how they operate as long as they perform well on government-defined outcomes. The reality, however, is that narrowly defining those outcomes—and then attaching important stakes to them—can limit schools' de facto autonomy. Both outcomes-based and authorizer accountability have tended to emphasize performance on state tests in core academic subjects. Certain school practices, some of which are plainly unhealthy, are more likely to yield good test scores than other practices (Koretz, 2017). Accountability incentives can create pressures for schools to adopt practices inconsistent with their (and their families') priorities. A school that wants to emphasize social and emotional learning, for example, might find itself doing more test preparation than it would like, and parents might find that schools are not as different as they market themselves to be. Put differently, by narrowly defining the “ends” of schooling, policymakers might indirectly define the “means” of schooling.

Choice Is Both a Form of Accountability and a Reason to Consider Other Forms of Accountability

Reforms that make schools' funding contingent on their ability to attract families of prospective students make schools subject to market-based accountability. A school that fails to attract families risks being closed, and all schools might feel pressure to do what families want them to do. The question of whether markets should provide the dominant source of accountability has produced strong disagreements even among school choice supporters (Petrilli & Greene, 2016). Some argue that the metrics emphasized by authorizers and test-based accountability are narrow and deeply flawed, and that policymakers should defer to parents' judgments. Others argue that making parents the primary regulators of school quality is risky; school-choosing parents can be uninformed and irrational, and their private interests might not align well with societal interests.

The interplay between these principles adds complexity to school choice policymaking. Next, we examine how the most prominent types of school choice programs and policies navigate these principles and the relationships between them.

Principles Underlying Today's School Choice Reforms

Having a conceptual understanding of modern school choice reforms requires understanding how choice, autonomy, and accountability operate within them. With the caveat that school choice programs vary across locales—with each program shaped by local history, culture, politics, and law—we consider the basic ideas underpinning today's school choice reforms.

Private School Choice Programs

Perhaps the closest that education could come to a purely market-based system would be a system of unsubsidized private schools without public schools (or heavy government regulation) to

accompany them. In this setting, we would expect an equilibrium price defined by the relationship between the supply and demand of seats in schools. Schools would compete for students, and schools that did not compete successfully would close. Some families might not send their children to school at all, because they either could not afford market prices or would believe the opportunity costs to be too high.

Fortunately, this hypothetical scenario is not how schooling is provided today, although many governments are using school choice programs to make private schools more accessible by reducing or eliminating the cost of attendance to families. These programs—most prominently, voucher programs, education savings account (ESA) programs, tax-credit scholarship programs, and individual tax credit or deductions—take different forms. Most preserve considerable autonomy at the school level, with the regulations that accompany public funding tending to be modest (e.g., nondiscrimination policies for admissions and some testing of students who receive public funds). Private schools are not subject to the full force of state accountability systems, leaving them with little of the outcomes-based accountability pressures that confront public schools. While schools' eligibility can be contingent on meeting program requirements—and some programs have removed schools for poor student performance—program administrators cannot close schools or influence their operations in the ways that charter authorizers can. Private school choice programs, in other words, tend to support autonomous schools that are primarily accountable to parents in school choice markets.

Charter Schools

Charter schools are publicly funded (tuition-free), privately run schools. They are exempt from many of the rules, regulations, and district policies that constrain how TPSs operate, but, as public schools, they are subject to the requirements and potential sanctions of state accountability systems. As stated previously, they are also accountable to state-approved authorizing agencies with the authority to close schools that fail to satisfy the terms of their charters. Other government regulations apply as well, including rules about how schools can allocate seats when demand exceeds supply (typically via random lottery).

Questions of autonomy and accountability are so fundamental to charter schools that the core of the charter school idea has been described as the autonomy-for-accountability bargain (Finnigan, 2007). Charters receive operational autonomy that gives them control over issues such as staffing, budgeting, curriculum, and pedagogy. In exchange, they must navigate three layers of accountability: market-based, outcomes-based (state), and authorizer accountability. Authorizers vary across and within states, and include local and state boards of education, postsecondary institutions, and local school districts. With authorizers being state-approved entities, they provide a type of local accountability to the public, although the links to public control can be weak and circuitous.

Most often, charter schools operate alongside TPSs. The notable exception in the U.S. comes from New Orleans, which adopted a decentralized, charter-based education system in the wake of Hurricane Katrina in 2005. The New Orleans school reform model closely resembles one that Hill, Pierce, and Guthrie (1997) proposed, in which school boards contract out the operation of schools to independent organizations with autonomy over areas such as budgeting, staffing, and programming. Boards would operate as “portfolio managers,” holding schools accountable for satisfying the terms of their contracts. The initial post-Katrina education system provided this type of extreme decentralization, but problems emerged, necessitating more coordination. For example, New Orleans has adopted a unified enrollment system to address inefficiencies and inequities in student assignment (Harris, Valant, & Gross, 2015) and a centralized student expulsion policy to curtail schools' ability to remove students for unwarranted reasons (Burger & Harris, 2015). Still, the charter-based system has persisted well into its second decade, with generally positive effects on student outcomes to show for it (Harris & Larsen, 2018).

Magnet Schools

Magnet schools, which predate charter schools by several decades, are relatively autonomous schools of choice that operate within school districts. They are public schools that are free to attend for families who wish to apply for admission. They often have a specialized program or curriculum, with freedom from some of the rules and regulations that apply to TPSs in their districts (although generally less freedom than charters). Like charter schools, magnet schools are subject to outcomes-based state accountability and must attract families because students are not residentially assigned to them. Unlike charter schools, magnet schools operate within districts and do not have relationships with outside authorizers. Goldring and Swain (Chapter 18, this volume) explain how magnet schools were initially seen as promising instruments of voluntary racial integration. While some magnet schools, in some areas, have attracted diverse student populations, little evidence suggests that magnets have markedly improved system-wide levels of integration.

Open Enrollment Public School Choice Programs (Interdistrict and Intradistrict Choice)

Some choice programs operate entirely within existing public school systems. Interdistrict choice programs enable families to enroll their children in public schools located in districts other than the ones in which they reside. Intradistrict choice programs enable families to enroll their children in public schools within their district other than the ones to which they are residentially assigned. Rules vary across programs with respect to which students are eligible and how seats are made available in schools. In essence, these programs attempt to introduce choice without disrupting school autonomy or accountability. Schools generally do not experience much market pressure; they still are assigned students when they have additional space, and the typical rules and regulations apply.

This list is not exhaustive of today's school choice programs. Families can choose to homeschool their children or access an increasingly large and varied set of virtual and distance learning options. In all of these cases, understanding the dynamics of a school choice program requires understanding the ways in which that program approaches choice, autonomy, and accountability.

Discussion

The history of education reform in the U.S. reveals a tendency to “tinker” with gradual, cautious, incremental changes to schools (Tyack & Cuban, 1995). Many school choice reforms depart from that approach, at least in theory. They challenge traditional notions of how schools ought to be funded, run, and held accountable, who should have control, and whether students should be assigned to schools based on where they live.

Economics provides tools for understanding why school choice reforms might improve education systems, and what can go wrong along the way. The market-based rationale is straightforward. If schools feel competitive pressure to provide a high-quality, desirable education to attract students and funding, they have incentives to serve families to the best of their abilities. In this view, the best, most desirable schools will thrive—perhaps grow or multiply—while the worst, least desirable schools will close. Unfortunately, the reality of school choice markets is not nearly as simple as this theory implies. The “market” for education differs from the market for most consumer goods, and an assortment of market failures can interfere with school choice reforms' ability to deliver on their theorized potential.

The presence of market failures does not eliminate the possibility that some type of school choice will, on balance, benefit students and society. It does imply that governments have roles to play in school choice reform. Governments can improve information availability and reduce transaction

costs (e.g., by implementing unified enrollment systems), and they can use regulations and direct accountability incentives to push schools to serve their public purposes (e.g., by teaching civics even if parents do not demand it). Governments are also uniquely positioned to ensure that disadvantaged or vulnerable populations are treated fairly in choice-oriented systems. Absent government intervention, schools might have incentives to discourage students with disabilities from enrolling, and children of parents with severely limited resources might suffer most from failures of school choice processes in practice, such as those that allow less-effective schools to remain in the market. Government intervention, handled well, can improve the functioning of school choice markets and make school choice reforms more equitable and efficient.

Designing school choice systems with the right balance of choice, autonomy, and accountability is easier said than done. Several chapters of this book describe empirical evidence on the effects of school choice reforms, but it is fair to say that the outcomes to date fall short of some advocates' claims that choice would be a "panacea" for school improvement (Chubb & Moe, 1990b). The success of school choice programs has likely been hampered by the market failures we described in this chapter, as well as by other challenges, such as obstacles related to student transportation. Increasingly, governments are attempting to prevent and address those failures through improvements in policy and program design and the use of public resources. The fate of today's school choice reforms depend, in part, on how well they do.

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