Privatizing Educational Choice
Consequences for Parents, Schools, and Public Policy
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Clive R. Belfield
and
Henry M. Levin
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Chapter 1

Education Privatization in Its Many Forms

Introduction

Educational privatization has emerged as a central topic of educational policy in the twenty-first century. More specifically, it has arisen in the form of new initiatives that have been proposed for funding education such as educational vouchers and tuition tax credits as well as methods of providing public support for private schooling. Most observers have at least some opinion on the subject, although accurate information on what is meant by privatization is much scarcer. A major public opinion poll found that about 80 percent of those questioned clearly favored or opposed educational vouchers, a particular approach by which government would fund private school tuition (Public Agenda, 1999). But only about one-third of the respondents could provide even a simple description of educational vouchers. This book represents an attempt to broaden knowledge and understanding of educational privatization by demonstrating its diverse forms and consequences. It is important to note that we are neither advocates nor opponents of educational privatization. We both have a strong belief that policy on the subject needs to be informed by knowledge and understanding rather than emotions and symbolism. Thus, this book is written in the spirit of an attempt at balanced analysis on a controversial subject.

In most industrialized countries of the world, including the United States, elementary and secondary education is an official responsibility of government. This commitment has been met by establishing elementary and secondary schools that are sponsored and funded by the government with compulsory
attendance requirements for all young persons of a certain age group, for example, ages 6–16. Although private schools and other forms of private instruction have existed prior to public schools almost everywhere, and continue to exist, even these are regulated by governments.

Recent years have witnessed a rising debate in the United States, Europe, Asia, Australia, and Latin America over whether this is the best way for a society to provide basic schooling for its young. In particular, a range of alternative approaches has been posited by those who are unhappy with the present system of public schools and who argue that a government-funded system of private schools can be more effective, efficient, and equitable. This advocacy has been accompanied by specific recommendations. For example, tuition tax credits could be provided to parents to partially or fully compensate them for private school tuition; publicly funded educational vouchers or certificates could be used to pay for private schools; and public education authorities could contract with private, for-profit entities to operate their schools.

Much of the advocacy for or opposition to these forms of privatization is ideological in nature. Free-market advocates believe that the discipline of the marketplace will provide choice and competition that are currently absent from the existing system of public schools, and that these features will provide greater parental freedom and more efficient use of resources. Skeptics believe that privatization is simply a ploy to create emerging opportunities for investment and profits for business entities by shifting $500 billion in government revenues to private enterprises as well as to establish more effective mechanisms for segregating the educational system by income, religion, and race as parental values and wealth determine school choice. As we will note in this book, the evidence is neither unequivocal nor clearly persuasive on either side, so strong belief seems to underlie these opinions rather than clear facts.

These types of debates are further confounded by the fact that education has both public and private purposes. Students and families derive private benefits from education, which provides experiences that develop skills, values, and personal attributes. These benefits are widely linked to increased productivity, earnings, health status, and many other personal outcomes that improve the welfare of the individual and family (Haveman and Wolfe, 1984). What should be noted is that the process of education in itself has both public and private components, where private refers to those dimensions that are purely of value to the student and his or her family and public refers to those that spill over to improve the larger society.

Unfortunately, current discussions on the meaning and consequences of educational privatization have been far narrower in scope than the topic demands.
Most of the discourse is simplified to a level where it is assumed that privatization refers only to whether schools sponsored by private entities are supported by government funds. In fact, educational privatization takes many forms that extend well beyond the more restrictive concerns of school funding and sponsorship. All of these need to be taken into account when considering both the merits and drawbacks of educational privatization. What follows is an attempt to broaden the context of privatization to demonstrate its many intertwined facets as a prelude for considering its consequences.

The Broad Framework of Educational Privatization

Table 1.1 provides a view of five dimensions of schooling for four types of school organizations as parsed according to public and private influences. Even a first glance at the table suggests that the public and private characteristics of schools are much less separable than the conventional wisdom and discussions on the subject suggest. Rather than there being clear distinctions of public and private for each type of schooling, a mixture prevails. Next we will discuss this phenomenon by briefly describing each type of schooling and how each broad characteristic is reflected in public and private dimensions.

At least five key dimensions of educational privatization should be considered: school sponsorship; governance; funding; production; and outcomes. Table 1.1 summarizes the public and private involvement of each of these dimensions for four types of schooling.

Home-schooling refers to the most privatized form of recognized schooling where the family takes formal responsibility for educating its offspring. Normally, this type of schooling takes place in the household under the supervision of parents or other family members, possibly with collaboration among households and with some outside assistance. An estimated 1–2 million elementary and secondary students in the United States are home-schooled, and the number is believed to be growing rapidly. As we note in Chapter 3, the educational efforts of the family, both purposive and incidental, represent the most complete form of privatization.

Private schools or independent schools refer to institutions that are sponsored by nongovernmental entities other than families. Private schools are found in all of the states. Approximately 30,000 private schools serve 4.6 million elementary and secondary students or almost 11 percent of the country’s students. This percentage is down from 14 percent in 1960. About 83 percent of students in private schools are in religiously affiliated institutions. Although recent debate about
Table 1.1 A Framework for Considering Public and Private Dimensions of Elementary and Secondary Schooling

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privatization often addresses the issue of public funds payments to for-profit schools, only a very small proportion of private schools in the United States are for-profit, probably less than 5 percent. The dominant share comprises not-for-profit institutions with a religious or educational mission.

Charter schools are public educational institutions for which state and local laws and other requirements that govern traditional public schools have been waived. They are a relatively new institutional form, dating back only to 1992. In exchange for such autonomy, they are expected to pursue themes and goals set out in their formal application for charter status, and their performance is reviewed every few years (generally 3–5) to determine if the charter school is meeting its goals. At present charter school provisions are found in about 41 states, with more than 3,000 charter schools enrolling about 740,000 students. Each state has different rules for authorization and establishment of charter schools, and the numbers of such schools vary enormously among states. The five states with the largest number of charter schools in 2003 were California (537), Arizona (495), Florida (258), Texas (241), and Michigan (216) (http://www.uscharterschools.org/pub/uscs_docs/sp/index.htm).

Public schools refer to the dominant form of schooling in the United States and account for 47 million students in 90,000 elementary and secondary schools in 2003. Such schools are funded primarily by state and local governments with a modest amount of assistance from the federal government. These schools are typically operated by local school districts, except in Hawaii where the state operates all schools. Enrollments in public schools are generally based upon neighborhood attendance zones, although in recent years considerable numbers of such schools have been open to parental and student choice, both within and among school districts.

As table 1.1 demonstrates, the designation of public or private descriptors for each type of school is a vast oversimplification or distortion for most purposes. The degree to which all four types of schools have public or private characteristics depends upon the specific dimensions of schooling that are analyzed. We view the term private as relating to schooling provided for and by individuals, groups, institutions, or entities that are primarily devoted to meeting the private goals of the participants and sponsors of those institutions and that are closely associated with the prerogatives of private property. In contrast, the term public is viewed as relating to entities and purposes that have a broader societal impact beyond that conferred upon the direct participants and is usually associated with a government role. What we will see is that there are considerable intermingling and overlap of public and private attributes among school types rather than pure demarcation.
Sponsorship

Sponsorship refers to who establishes schools and provides schooling. Perhaps in the area of sponsorship we see the clearest division of public versus private spheres. Both home-schooling and private schools are characterized by private sponsors. Charter schools represent a mixed activity of public and private. Often schools are proposed by private groups and proposed for public charters and funding. Public schools are sponsored by government entities.

Governance of Education

Governance refers to the overall authorization for operation of schools and responsibility for schooling decisions as vested in the domains of private or public control. Even private schools and home-schooling, although privately sponsored, are jointly governed by both public and private authorities. The reason for this is that all of the states sponsor constitutions that establish schools and mandate compulsory attendance between certain ages. Throughout the eighteenth and early nineteenth centuries, there was continuing litigation on the issue of whether private schools satisfied the requirements of the compulsory attendance laws. The U.S. Supreme Court decided the issue in 1925 in *Pierce v. Society of Sisters* (1925), which determined that schooling under private auspices could meet compulsory attendance requirements by meeting the standards that the states set out for such schools. As a result of that decision, all students and their schools—including those who are in home-schooling and in private schools—are considered to be responsible to public authorities.

No question is raised concerning the power of the State reasonably to regulate all schools, to inspect, supervise and examine them, their teachers and pupils; to require that all children of proper age attend some school, that teachers shall be of good moral character and patriotic disposition, that certain studies plainly essential to good citizenship must be taught, and that nothing be taught which is manifestly inimical for the public welfare. (*Pierce v. Society of Sisters*, 1925)

All the direct sponsorship of home-schooling and private schools is the responsibility of private entities in that they are operated by families and private school governing boards or owners, respectively, but they are subject to public authority in most of their important operations and functions. State governments and their local educational agencies have been reluctant to set
out and administer these details in the case of private schools and home-schooling, giving the impression that these entities are largely “off-limits” for public control and regulation. Indeed, the states have been reluctant to fully use the powers granted to them by the U.S. Supreme Court, probably because of the political battles that would ensue over an issue that affects only a relatively small portion of the population, some of it quite powerful. But this should not distort the reality that the states have authority to do so, a point that should be kept in mind in discussions of the growth and expansion of private schools and home-schooling if such expansion were induced by publicly funded mechanisms.

Charter schools, too, are both sponsored and governed by public and private authorities, even though they are considered to be public schools. Some charter schools are sponsored directly by school districts with a governing board that is answerable to the district. Others are sponsored by groups represented by private boards that are answerable to the state and to chartering authorities. Chartering authorities are, themselves, defined by and approved by the states. Some charter schools not only have privately constituted governing boards, but contract their operations to private firms called educational management organizations (EMOs) that are paid to manage and operate the school. Although EMOs are viewed as operating under the governance of the governing boards of the schools, the fact that they have extensive de facto property rights and limited communication with such boards means that they, too, play an independent role in school governance.

There are many forms and combinations of public and private governance that characterize the many charter schools depending largely on state legislation and, particularly, the authorizing provisions. Although states can waive state and local requirements for charter schools, they are still subject to federal laws under which they are held accountable if they participate. Typically, states have provided charter schools with considerable autonomy in meeting the goals of their charter.

Finally, public schools are governed by public authorities, typically under state constitutional provisions and legislation that are implemented by a state department of education through local educational agencies. Public schools are highly limited in terms of their autonomy because they are governed by permissive legislation and can carry out only those functions that the legislature assigns to them. Much of the legislation is highly detailed on such matters as curriculum, personnel, finances, educational procedures, and the responsibilities of local governing boards; there is considerable monitoring of these functions by states and their agencies.
But even for public schools, there is an argument for suggesting that they might have mixed governance. First, public schools also contract with EMOs to run their schools, providing a buffer between direct public intervention and school operations beyond the overall contract. Second, teacher unions and other privately constituted groups often negotiate contracts in which the provisions of the agreement have a direct bearing on control and decision making at school sites. For example, it is common for such contracts to include agreements on average and maximum class sizes and on the limits of supervisory oversight of teachers as well as other details of daily operations and governance. Although states generally restrict or proscribe collective bargaining that addresses specific school policies, the resulting agreements typically infringe on the scope of governance because agreements on working conditions such as class size or supervision set limits on educational governance. Because public sector bargaining opens the door for the direct participation of private labor or professional organizations and negotiations over school policies, such organizations have a potentially strong private influence in the governing process.

**Funding of Education**

Funding refers to the provision of resources for schooling, not only in its financial forms but also in contributed resources. Home-schoolers have generally provided full support for their children’s education through their own efforts at teaching or the provision of other instructional arrangements for their children. They have also purchased the instructional materials needed, although many states provide these at public expense. Beyond this, many home-schoolers obtain a part of their education under public circumstances by taking specific courses or obtaining other specific instructional services from the schooling authorities (Lines, 2002). This is especially common at the secondary level where particular specialized courses beyond what families can offer or sports activities sponsored by the schools are accessed by home-schoolers.

More recently, home-schoolers in some states have been able to gain resources for their children’s education through publicly funded “virtual charter schools” that provide curriculum through the Internet as well as resources for instructional materials such as books and computers and limited technical assistance (Huerta and Fernandez, 2004). This development has been a source of controversy as such charter schools with few personnel and facilities and low costs have received compensation from the states that is comparable to the more costly brick-and-mortar charter schools, providing rich profit opportunities for the virtual charter providers. There are also important monitoring
challenges with respect to the number of students actively using virtual charter schools and accountability for achievement comparable to that of public schools.

Private schools are also predominantly supported by private funding and resources, but not exclusively. The principal private sources of support include tuition and contributed resources, some cash and some in-kind contributions. However, in virtually all states private schools receive public services and, as nonprofit educational entities, are exempt from taxes. Sullivan (1974) has suggested that this amount is considerable (although no data have been produced in recent years). In some states school districts and other levels of government provide textbooks and transportation. Private schools are eligible for federal and state support for targeted groups of students such as those in special education or compensatory education. Often such services are provided by personnel from local school districts. Thus, although most of the funding for private schools comes from private sources, some funding is also derived from public sources depending upon the provisions of particular states and whether targeted services are provided by private schools. It should be noted that many private schools do not enroll special education students or those who require compensatory educational services such as those funded by the federal Title I legislation.

Charter schools are predominantly funded by public resources on the basis of formulas established by the state. However, such schools have been given great autonomy in raising private funds and obtaining other private resources. In most states the funding provisions are not adequate for acquiring the use of facilities that are comparable to those of public schools except in those instances where regular public schools are converted to charter schools. Thus, many charter schools search for facilities in vacant schools or space provided by sympathetic organizations such as churches and community groups in which to locate their activities. Others establish capital funds and engage in extensive fund-raising for facilities, often relying on a relatively small number of large donors. In addition, charter schools enlist boards of directors that are sympathetic with their mission to help seek operating funds from private sources. The financial results from these activities vary considerably. In some cases schools are able to obtain regular infusions of funding from major philanthropic foundations and private sponsors or patrons that account for a considerable portion of their budgets. In other cases the amounts raised are very small, particularly if the sponsorship of the school lacks the connections or the educational theme that will attract such funds.

Public schools are also predominantly funded by a combination of local tax revenues, drawn primarily from local property taxes, and state and federal rev-
Chapter 1

There is considerable variance, both among states and among local jurisdictions within states, in the public revenues that are provided for education, leading to litigation in recent years in many states to improve the equity or adequacy of funding by applying specific provisions of the states’ constitutions. However, public schools also draw upon some private sources of funding by requiring students to pay for some extracurricular activities, uniforms, and school supplies (e.g., calculators) and by establishing local philanthropic foundations for the express purpose of raising private funds to support the schools. Although there are no reliable estimates of these amounts, they are thought to have risen in recent years; however, they still constitute a very small part of the funding for U.S. public schools. In contrast, in developing societies, both cash and in-kind private contributions represent a considerable portion of the funding requirements of public schools, typically in the range of 25–60 percent (Tsang, 2002).

Production of Educational Services

Production of education refers to the process by which students acquire knowledge and skills. Such a process is characterized by organization, procedures, curriculum content, and reporting requirements. Although we refer to only four types of schooling in table 1.1, it is important to note that the production of education and its outcomes are not limited to schools and schooling. Education is produced by the interactions of families, schools, and other influences such as neighborhoods and student peers. Of these determinants, the evidence consistently supports the role of the family as the dominant educational influence. What families do on their own makes a substantial difference in educational results, and these differences are closely reflected in the socioeconomic characteristics of families. More educated and higher-income families are able to provide their children with better home conditions, richer experiences, and greater exposure to verbal skills and knowledge, a difference that results in substantial advantages in academic proficiencies and school readiness even prior to entering school (Hart and Risley, 1995; Lee and Burkam, 2002). But, in addition, children of more advantaged parents are better prepared to accommodate successfully school routines and expectations. Because the family is the most private unit in our society, the production of education has a major private component for all children, regardless of the type of formal schooling entity. The central role of the family as an agent of privatization and how it can be harnessed to improve school results will be highlighted in Chapter 3. Acknowledging the
important role of families, the following analysis limits itself to the public and private influences on the four schooling entities in table 1.1.

Home-schooling is produced under private auspices, except in those cases where students receive some of their instruction in public institutions. However, even home-schooling must meet public regulations such as attendance, content, and testing set out by public authorities, constituting a public influence on the schooling process. Nevertheless, what home-schooling families do is so hidden from public accountability that it is safe to consider the home production of education to be a private affair. Private schools also produce schooling under predominantly private means within regulations set out by government. But in the case of private schools, the government influence can be more visible. Still, in the cases of both home-schooling and private schooling, the most important components of organization, content, and process are determined privately with public influence limited in scope and by the fact that government monitoring is rare and costly or even limited or prohibited in the case of religious schools by the First Amendment of the U.S. Constitution.

In *Lemon v. Kurtzman* (1971), the U.S. Supreme Court ruled that government monitoring of religious versus secular content of education in religiously affiliated schools may create excessive entanglement of the government with religion, violating the establishment clause of the First Amendment.

Charter schools have both public and private components in the production of education. Many charter schools contract with private educational management organizations to operate their schools. Although the details of the contract are negotiated and approved by governing boards of these schools, the design of the schooling process, its implementation, and school operations are relegated to the EMO. Public and private agencies adopt or work as partners with some charter schools, for example, high schools that emphasize the arts, health care, criminal justice, and other themes that require collaboration in instruction and placement of students in internships. Thus, charter schools are likely to have mixed modes of educational production between both public and private sectors.

Of the four types of schooling, public schools are characterized by the least private input into the educational process. Even so, public schools purchase or contract for significant private inputs including textbooks, equipment, consulting services, and instructional contracting with EMOs. In recent years EMOs have become particularly active in providing supplementary services such as extended-day sessions, summer school, and tutoring to students in schools that are considered to be failing according to the guidelines of the federal law No Child Left Behind. So, although the educational process of the public schools is
dominated by the laws and regulations of state and local educational authorities, it also has some private components.

**Educational Outcomes**

Educational outcomes can be thought of as both private and public. Private outcomes benefit primarily the individuals being educated and their immediate families. Public ones benefit the larger society. Clearly what students learn in school confers private benefits upon them in terms of skills, knowledge, values, behaviors, and understanding. These, in turn, enhance their capabilities in the workplace and other settings, raising access to further educational opportunities and translating into better jobs, earnings, health, and personal satisfaction.

But beyond these private benefits, children’s experiences at school provide benefits for the larger society. These public benefits are used to justify public funding of education. Under ideal conditions, schools can provide students with a common set of values and knowledge to contribute to their functioning in a democratic society. Schools can also contribute to equality of social, economic, and political opportunities among persons of different racial and social class origins, making for a fairer society. Schools are expected to play a major role in contributing to economic growth and high employment for the nation and its regions. Schooling is a contributor to cultural and scientific progress and to the defense of the nation. These represent some of the areas in which education must be perceived as a social or public good beyond any contribution that it makes to fulfilling private needs. This is also the main reason that schooling is compulsory and bound by regulations that are perceived to be instrumental in producing these important public benefits.

Home-schooling is dedicated primarily to those goals and values that the family deems important. Although government regulations surrounding schooling may be imposed to ensure social benefits, they are difficult to monitor and enforce so that home-schooling is dominated by what families believe to be in their own interest rather than that of society. For example, children are unlikely to be exposed to values and beliefs that are counter to those of their families, even though democratic discourse requires that one understand alternative perspectives in resolving differences and disputes. Thus, table 1.1 characterizes home-schooling as producing educational outcomes that are predominantly private rather than public in their focus.

Private schools represent a range of mixes between private and public outcomes in their focus, from those that are highly dedicated to social concerns to
Education Privatization in Its Many Forms

...those devoted to the narrow goals of their clientele as embodied in religious practices or political indoctrination. For example, many Catholic schools emphasize social justice issues, potentially producing outcomes with public consequences and social benefits for equity and democracy. In contrast, Peshkin (1986) studied a fundamentalist Christian school that focused on preparing its students for the Kingdom of Heaven, a much more restricted concern that was limited to its adherents. Although there is a tendency to believe that private schools focus on education only for meeting the needs of their own students, these schools can also incorporate social and public goals that are believed to underlie civic education and democratic participation. Our experience suggests that private schools have a mix of such outcomes, perhaps with more emphasis on the private goals of its clientele than the public goals of society. The lack of careful research on how private schools address the public goals of education, however, leaves us with some ambiguity overall, along with the knowledge that great differences are likely among individual private schools, depending upon their sponsorship.

Designed to be public schools in that they represent the public interest, charter schools differentiate themselves to attract students with specific needs, interests, and learning styles. To some degree, we might expect charter schools to focus more fully on the public benefits of education because they are somewhat more exposed to public educational requirements than private schools. Although most state and local requirements may be waived, charter schools are still required to meet certain curriculum and testing requirements in the various states as well as meet specific personnel qualifications in their teaching staffs. Further, their personnel have public school credentials, which emphasize equity and democratic ideals. These conditions are likely to encourage charter schools to pay greater attention to the public goals of schooling than private schools.

Finally, public schools provide a mix of outcomes to meet the private needs of families, particularly through the family’s choice of its residential neighborhood (a prominent feature of U.S. schooling, where neighborhoods represent attendance zones for schools). Increasingly, other forms of school choice both within and among districts also emphasize the private concerns that families have for the education of their children. However, public schools are the most exposed to the curriculum, teaching, and testing requirements of the state and other required school practices. To the degree that these requirements emphasize the public purposes of education, the public schools have a mix of educational outcomes with a higher concentration of public outcomes than the other types of schools.