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## Free Market Reforms in Education: Is Monopoly Better?

By [Marc Tucker](#) on December 12, 2017 3:58 PM

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I was blasted the other day for having just discovered the virtues of capitalism by a friend who was irritated at my lack of support for charter schools. He and many others view charters as a quintessentially capitalist way to introduce competition into a manifestly sclerotic monopoly and thereby improve the performance of all our schools.

That got me to thinking. Actually, when you come right down to it, I am a totally committed capitalist. Both because I think capitalism, with all its faults, produces the best economic outcomes, but also because I think capitalism is the indispensable correlate of freedom and liberty.

So what's to think about? It is obvious to many that more competition produces better results. Some would go further and say that more competition and less government involvement produces better results. Some would say that that is the essence of the capitalist idea. Let the free market reign and get government out of the way. Put that way, capitalism and competition seem synonymous.

But they are not. To begin with, most free market companies work hard to become monopolies if they can. That's one of the reasons that, beginning with Adam Smith, almost all economists have thought that government intervention would be required to make capitalism work.

Still, one could argue that regulation of competition is one thing, but surely the need to regulate free market competition to prevent monopolies is no reason to encourage monopoly. We all know that monopolies, especially state monopolies, are bad and ought to be prevented or at least frowned upon. Don't we all know that monopoly produces higher prices, chokes off creativity and leads to poor institutional performance because it robs a business of any reason to control costs, innovate and improve productivity?

Hmm, says I to myself. One of the best economic courses I ever took was a course in regulatory economics. The text was F.M. Scherer's *Industrial Market Structure and Economic Performance*. Scherer's book is essentially a text on how to regulate an industry. One of the reasons to do that is in the case in which competition is not feasible. Before cell phones, it made no sense to have a whole bunch of competitors setting up poles and lines in redundant systems that might or might not connect. On another point, government wanted everyone served, even when it might not make any sense to serve everyone as a business proposition, such as in rural areas. And then, of course, there is the case of schools and similar public services, where the public interest requires everyone to have equal access to the service, even when there is no money to be made doing that, even when it costs more to serve the people with no money than it does to serve the people with lots of money. This is the case of providing what economists call a public good, meaning a good that benefits everyone, including those who do not benefit directly. It is in my interest for you to be educated, because, when everyone is educated, everyone, including me, lives better and democracy works better.

Scherer had almost nothing to say about public education, but a lot to say about monopoly, innovation and productivity in a capitalist economy.

Scherer channeled one of the great American economists, Joseph Schumpeter, to make a central point. Creative destruction, that is the destruction of companies that fail to adapt to changing markets, is the engine of American capitalism. But Schumpeter had a soft spot for monopolies. Schumpeter saw that advances in technology were often the engine of creative destruction, and he further saw that investment in research and development was the engine driving advances in technology and productivity. Schumpeter pointed out that companies in fierce competition with one another just don't have the money or the time to make big investments in R&D that might not pay off. And he pointed out that the only the firms that do have the time and money to do that are monopolies. Scherer provided lots of examples, many of them iconic inventions or innovative products from iconic companies.

That got me thinking. When I look at American school systems—from the state to the school district—I don't see the kind of long-term, fulsome investment in R&D that Scherer was talking about. I mostly see what the charter advocates see, an establishment that costs more and more to operate every year, but precious little improvement in student performance. But when I look at the top-performing countries, I see an R&D process that is systematically organized, the beneficiary of patient money, intimately enmeshed with the industry it is supposed to drive.

Now you will say I am crazy. The U.S. invests more in education research and development than any other country. And many countries that outperform the United States tell observers that they got most of their ideas from American researchers.

Yup, all true. The difference is the way the R&D is funded, organized and managed. In the top-performing countries, the research and the development are funded by the same ministries that fund the schools. In the United States, the analogue would be the state department of education, not the U.S. Department of Education. Some of the researchers who are funded are at the universities; many are employed by the ministry or by what we would call school districts. Most of the research is what we would call applied research. In a number of these countries, the teachers are expected to do what we would call action research and in some, that research is published in refereed journals. Thus, there is a continuum of researchers extending from regular classroom teachers to the most senior university researchers and those in senior research management roles in the ministries. In most of these countries, there are units in the ministry whose only job is to benchmark the education systems of other countries by conducting research in those countries and bringing back what they have learned. Regular classroom teachers and school principals are given funds to do the same thing. They are obligated to write about what they have learned and to share it with colleagues far and wide.

The ministries are responsible for assembling and analyzing everything they learn about advances in education worldwide and using that information to design interventions that are compatible with their systems but which should produce incremental improvements in practice, not school by school but nationwide.

When the ministry has come up with a design for a new way of doing things based on this research, usually working in teams with regular classroom teachers seconded to the ministry for the purpose, it reaches out to districts carefully chosen to represent the variation in schools across the country and those districts are invited to partner in a carefully orchestrated process of further research and development until the ministry is satisfied that it is time to go nationwide. The aim is produce tools and information in a variety of settings, not detailed instructions for each teacher.

What I have just described is a finely tuned machine to use R&D to steadily ratchet up the overall performance and efficiency of the top-performing education systems. It is designed to do what we talk and talk and talk about but do not do; it is designed to produce continuous improvement. And it works.

Our system presents a striking contrast with what I have just described at every single point. Our state departments of education don't have hundreds of researchers working for them, working out ways to make progress on the problems identified by the department and the field as the ones most important to make progress on. Oh, no. Instead, the state departments of education and school districts exist in an unorganized marketplace full of people from everything from for-profit publishers to think tanks to schools of education to God knows what trying to sell them on something—anything—that these vendors of ideas and trinkets want to sell. They live in a world of vendors, vending things that do not fit together at all, that were never intended to fit together into one harmonious system of the kind that the top performers have been constructing for years. The chief state school officers go to meetings of their association in which they are organized into groups to learn from one another, not from the countries that are far outpacing them. No one funds teachers and principals to go to the top performers to learn from them, even in another state, never mind the other side of the world. Chief state school officers are afraid to go on trips abroad, even if someone else is funding it, for fear of being charged with engaging in a boondoggle.

Yes, there are uncounted members of the American Education Research Association in the United States, but they work in an environment in which action research is too often not considered research at all, in which teachers are the people you present with the results of your research, not the people you typically do it *with*, much less the people who do it. In fact, in the United States, the real audience for most of the education research that is done is done for other researchers, to be published in academic journals never read by teachers, principals, superintendents or chief state school officers.

But, in my view, the disconnect goes much deeper than that. The dominant model in education research comes from clinical research in medicine. It is designed to show conclusively that intervention X, when faithfully implemented, will produce results Y, in environments comparable to those in which the research was done.

The top performing countries do not say to teachers: Some researcher says that if you do exactly as they say for years on end, you will get the results we want. so go do it. We don't care whether you think it will work or not. We don't care if it violates your values. We don't think

you have anything to contribute except your willingness to do as you are told. The top performers treat their teachers like professionals.

When I visited the Toyota Motor Company in Toyota City years ago, I discovered that they asked their front-line teams for ideas about how both the cars and the process for improving them could be improved. They gave the front-line workers tools they could use for gathering data and then acting on it. They trusted their front-line workers to shut down the line if they saw anything wrong, which costs the company a fortune. Toyota viewed their front-line workers as an integral part of the total company team not just to assemble the cars but to figure out how to make better cars and be more productive. Maybe that's how they got to be the world's most successful car company.

As I see it, the gold standard for research is not showing that this intervention caused this modest improvement in results under specific detailed conditions. The reality is that almost all important improvements in student outcomes are the result of multiple features of education systems and the most important advances in student performance by far are the result not of discrete interventions but of the implementation of such complete systems designed so that each element of the system works in close harmony with the others. What I just described is completely antithetical to the way most education R&D works in the United States today. Indeed, the research that is most picked up in other countries is not the research done according to the dominant model, but research that is done using a far more eclectic multi-method model.

Yes, I sure do believe in capitalism. But I agree with Schumpeter and Scherer that there are times when capitalism works best in the hands of monopolists. Monopoly is not the problem in American education. It turns out that it works just fine in any number of other capitalist countries that are beating the pants off us in the field of education. The problem is both the way we govern education and the way we have misdesigned our system for school improvement, especially the way we fund, do and use research.

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