

Pondering the Outsized Influence of Economic Thinking on Education Policymaking

Bruce D. Baker

Not-an-Economist

AERA 2021

Toni Morrison said the function of education “must be to produce humane human beings. To refuse to continue to produce generation after generation of people trained to make expedient decisions rather than humane ones.”



tamara k. nopper
@tamaranopper

7:33 PM · Mar 28, 2021 · Twitter Web App

<https://zora.medium.com/toni-morrison-in-her-own-words-562b14e0effa>



Jack Schneider

@Edu_Historian Follows you

scholar of education history and policy | co-founder mciea.org | co-editor
[@histedquarterly](https://twitter.com/histedquarterly) | co-host [@haveyouheardpod](https://twitter.com/haveyouheardpod) | co-author
wolfattheschoolhousedoor.com

📍 Somerville, MA sites.uml.edu/jack-schneider/ 📅 Joined January 2012

We don't have public schools in this country so that young people can win advantage in an unequal society (and we especially don't have public schools so that racially and economically advantaged families can launder their privilege). Nor do we publicly fund education so that the private sector can reduce the costs of training labor. Instead, we tax ourselves to pay for universal K-12 education because public schools are the bulwark of a diverse, democratic society.

Brighouse, H., Ladd, H. F., Loeb, S., & Swift, A. (2016). Educational goods and values: A framework for decision makers. *Theory and Research in Education*, 14(1), 3-25.

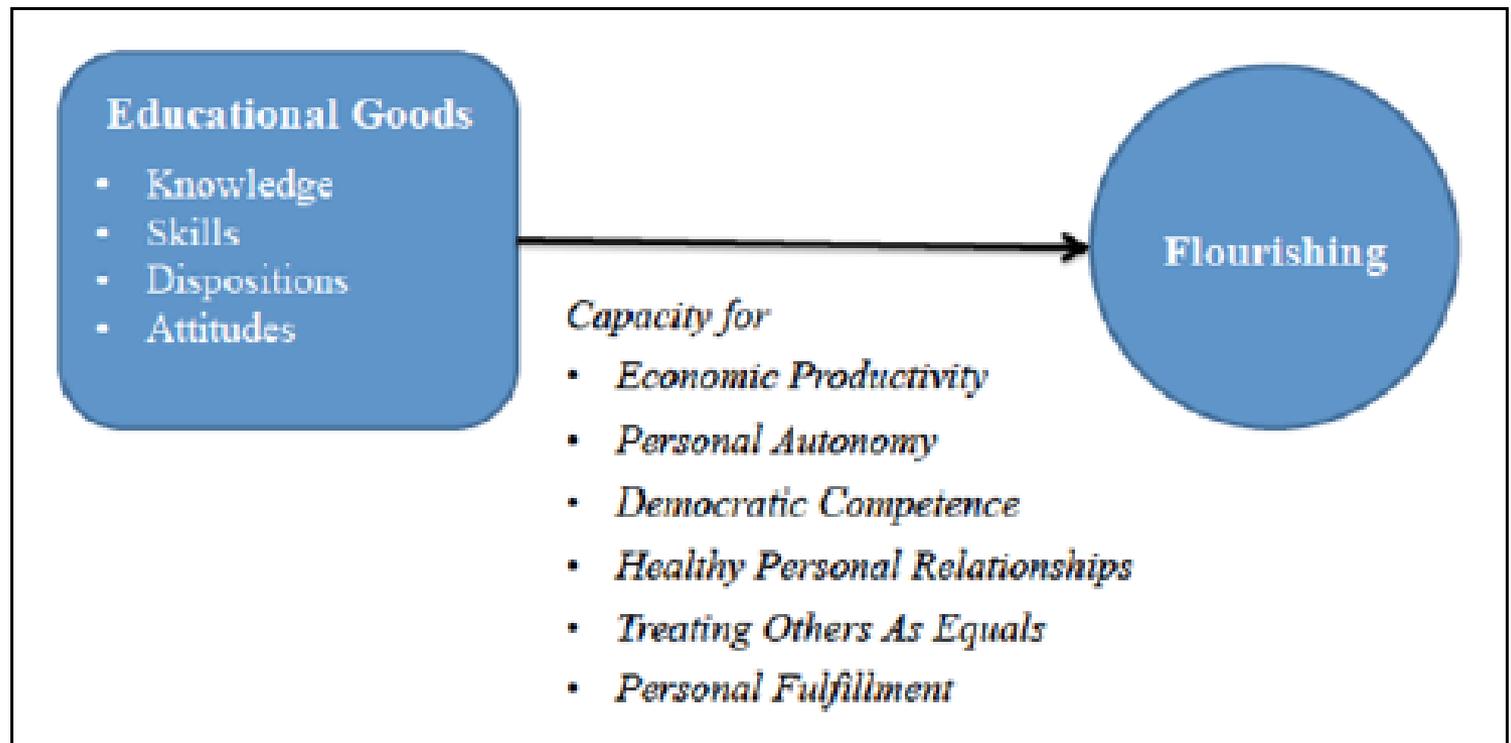
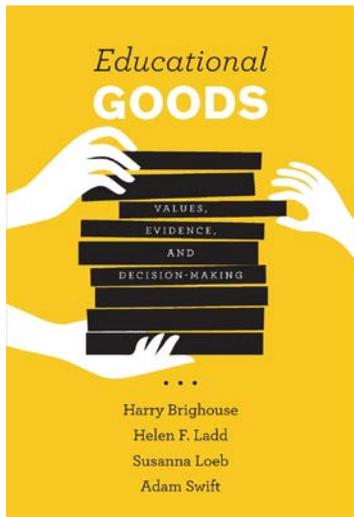


Figure 2. Educational Goods and Valuable Capacities.

History of the Outsized Policy Influence of the Economic “Style of Thinking” (Popp-Berman, in press)

<https://epberman.net/thinking-like-an-economist/>

- 1950 to 1960s
 - Convergence of mathematical methods in systems analysis & development of PPBS approaches (applied to gov’t budgeting)
 - Applications of operations research to military decision making
 - Leading to broad reframing as “policy evaluation” and “cost-benefit” analysis, eventually “policy analysis”
 - Defined as “quantitative analysis focused on using rational methods with roots in economics to optimize policy decisions”
- Late 1960s to 1970s
 - Spawned new industry (policy eval firms like MRDC, Mathematica, Urban Institute)
 - Spawned university based public policy graduate programs

Thinking Like an Economist: How Economics Became the Language of U.S. Public Policy

Elizabeth Popp Berman

<https://epberman.net/thinking-like-an-economist/>

The *economic style*, quite similar to the “‘core’ of relatively simple ideas and techniques” that Michael Reay describes from his interviews with practicing economists, includes basic concepts (**incentives, efficiency, externalities**), approaches (**using models, weighing costs and benefits, quantifying, thinking at the margin**), and causal policy stories linked to economic theories (**investing in education will increase human capital and raise wages**). But while the economic style is grounded in PhD-producing economics departments, a weaker version circulates well beyond it, taught in law, policy, and business schools. Indeed, as Tim Hallett and Matt Gougherty show in their ethnography of a public affairs program, learning to “think like an economist (without becoming one)” is integral to pursuit of the master’s degree. As economist Alain Enthoven wrote as one of Robert McNamara’s whiz kids in 1963, and other Washington economists have echoed, “[T]he tools of analysis that we use are the simplest, most fundamental concepts of [the] economic theory...most of us learned as sophomores.” **And the sophomore-level theory that became so prevalent was not macro, but microeconomics.**

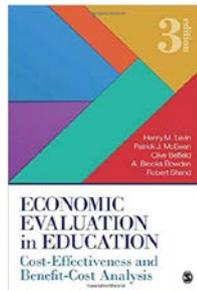
Core problems in economic analysis of schooling

- Reductionist views of:
 - Human behaviors
 - Institutional purpose(s)

& that institutions are little more than the sum of the individuals associated with them

Problems in economic analysis of schooling

- Narrowly viewing human behavior through the lens of “rational choice” theory
 - Zafirovsky (1999) Thus rational choice theory’s distinctive feature is economic reductionism, i.e. the reduction of purposive action to a ‘generalized’ utility-disutility, cost-benefit calculus.
 - Often falsely presumed to be an entirely conscious process based on complete information on alternatives
- Narrowly conceiving of the purpose of education systems & institutions through the lens of microeconomics and select methods, models and measures focused almost exclusively on:
 - Efficiency
 - Cost/effectiveness
 - Cost/benefit (financial)
 - Rate of Return



Zafirovski, M. (1999). What is really rational choice? Beyond the utilitarian concept of rationality. *Current Sociology*, 47(1), 47-113.

Assumption of the Economic “Style of Thinking”

- Defining “rational” decision making (rational choice)
 - A rational choice is the one which, among a set of choices, yields that outcome which is best aligned with the interests of the individual
 - What that means, in most economic modeling, is the “rational” choice is the choice which yields the greatest dollar gain for the individual
- All else, is therefore “irrational” and requires a form of “excuse” based economics to explain it
 - Benevolence (direct benefit of others with no apparent personal gain)
 - Societal benefit
 - Any other non-monetary benefit

Common Analytic Frameworks in Education Economics

- Evaluating schools and school systems
 - Production of “outcomes”
 - Most accountability systems based on raw production output, without consideration for cost or efficiency!
 - Cost Efficiency
 - At least accounts for differences in costs of achieving specific outcomes, and how those costs vary across institutions, settings and children.
 - But still constrained by narrowly selected outcomes
- Choosing among programs, services, strategies
 - Cost effectiveness
 - Cost benefit
 - Rate of Return (RoR) or Return on Investment
 - Cost utility

Reductionism as applied in models & practice

- Effectiveness = test score gain
 - Potentially other short & longer term, but still narrowly measured academic outcomes (graduation rates, persistence & completion)
- Benefit = dollar gain
- Utility = “usefulness” of one program or activity, usually with respect to perceived economic benefit (e.g. STEM is more “useful” than the arts)

Assumption of policy driven by the microeconomic “style of reasoning”

- That policy can be designed to create incentives for individuals to make rational (read: self-enriching) decisions that when summed across all individuals within the system in question, lead to improved productivity and efficiency of the system (aggregate economic gain/benefit)
 - By extension, system productivity and efficiency will never improve unless individuals working within that system are incentivized to engage in self-enriching behavior.

Example: Fryer Jr, R. G., Levitt, S. D., List, J., & Sadoff, S. (2012). *Enhancing the efficacy of teacher incentives through loss aversion: A field experiment* (No. w18237). National Bureau of Economic Research.

Core assumption of policy driven by the microeconomic “style of reasoning”

- That we can get individuals to produce better outcomes by tapping into their tendency for self enrichment
- Further, that competition for limited resources and/or survival strengthens that incentive
- That we can make systems better by a process of natural selection through that competitive, incentive driven process:
 - Deselection of “bad” teachers (& replacement with “good” teachers)
 - Closure of “bad” schools (& replacement with “good” schools)
 - Selection and scaling of programs or school models that show greater “cost-benefit” or “cost-effectiveness”
 - (basically, Race to the Top preferences)

Major omissions of the economic style of reasoning applied to education

- Equity & equal opportunity
 - Typical microeconomic analyses of schooling even miss economic framings of equity and equal opportunity, linking traditional measures of school spending, tangible schooling resources and outcomes.
- Outcomes not easily reduced to dollar values
 - Benefits (social & civic) of racial and economic integration
 - Civic engagement / participation
 - Production of humane human beings (Morrison quote)
- Valuing the means to the ends?
 - Distribution of legal (constitutional) rights under public/private actors
 - Distribution of democratic control over institutions
 - Public ownership & control over capital (and inequitable distribution)

Omissions of the economic style of reasoning applied to education

- Immeasurable tradeoffs in process & outcome (but where outcome is all that matters in the reductionist model?)
 - Should some children, more than others, be asked to trade their due process rights, speech rights, protection from unreasonable searches, etc. for a potential modest increase in test scores? (or predicted increase in income at age 30?)
 - Should some communities, more than others, be asked to forgo democratic control over their institutions, ownership and control of capital for the same?

Five questions to consider when debating whether to expand charter schools:

- 1 How is the **entire system**, not just a subset of schools, meeting measures of **quality and equity**?
- 2 What are the risks of sorting students based on need, and **how will resources be reallocated to serve all children equitably**?
- 3 Does the charter system lead to **redundant management structures** or inefficient use of things like facilities or transportation networks?
- 4 How does the charter system affect **quality of life** factors such as **transportation time and school/neighborhood walkability**?
- 5 Does the system **evaluate charter operators based on prior practices** to ensure the rights of students, taxpayers, and employees are protected?

go.epi.org/charters

Economic Policy Institute

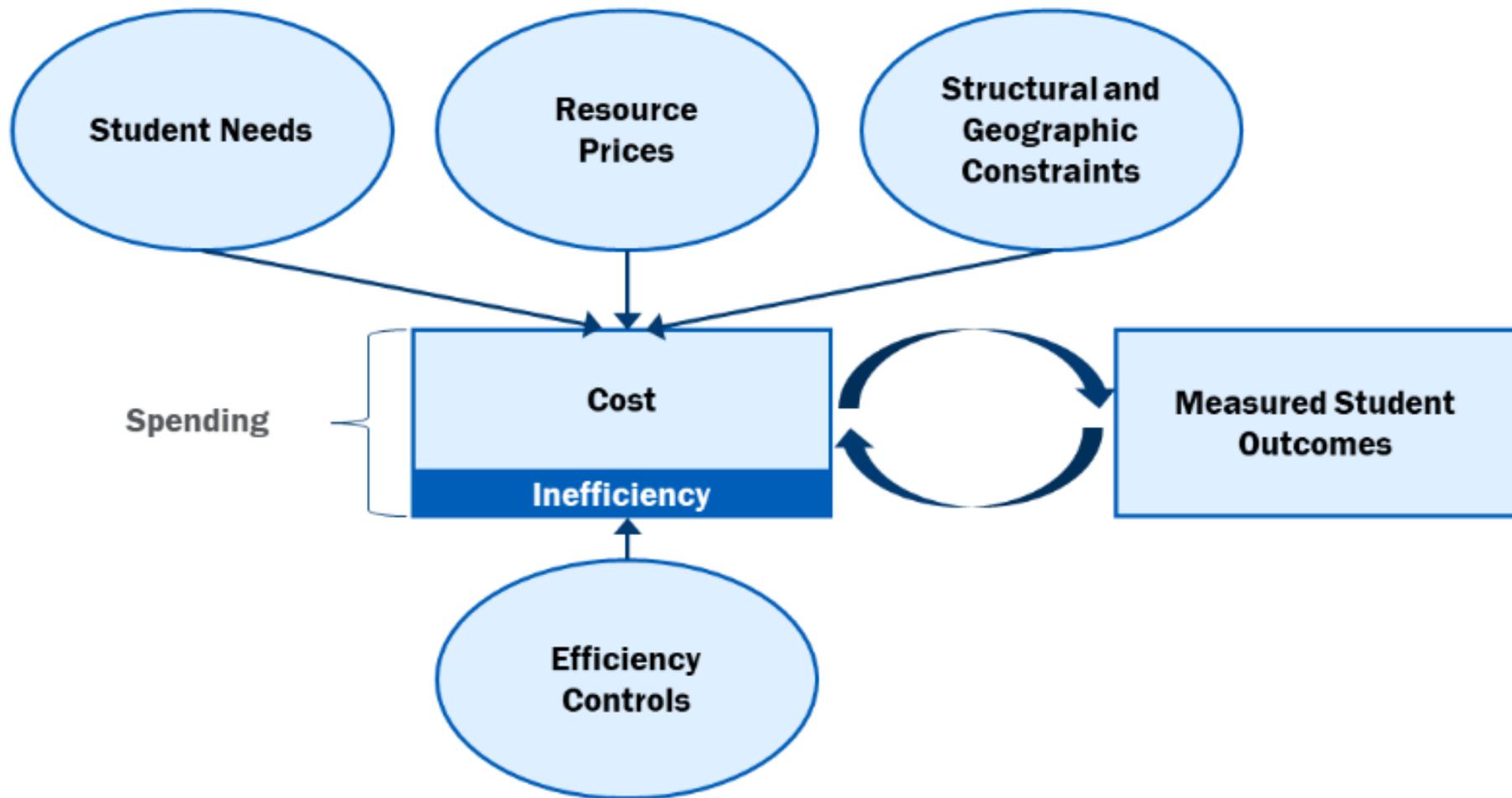
We can use economic concepts & models to advance equity & equal opportunity

- Financing education systems to provide ...
 - Equal opportunity for all children, regardless of background or location, to achieve common outcome goals
- Core principles / findings derived from empirical models
 - It costs more to achieve higher (and broader) outcomes than lower ones
 - It costs more to achieve common outcomes in some locations, under some conditions and for some children (individually and collectively) than others
- We can use these principles and estimates to drive state and national school funding policies to advance equal opportunity

Cost Modeling for Equity & Adequacy

- National Education Cost Model (NECM)
- First attempt to equate and link district level outcomes nationally with district level expenditure data
- Using data from 2009 to 2018, we estimate a “cost model” to predict the per pupil cost, for all districts nationally, to achieve national average outcomes in reading and math
 - Goal – to identify those places that have the biggest gaps in funding

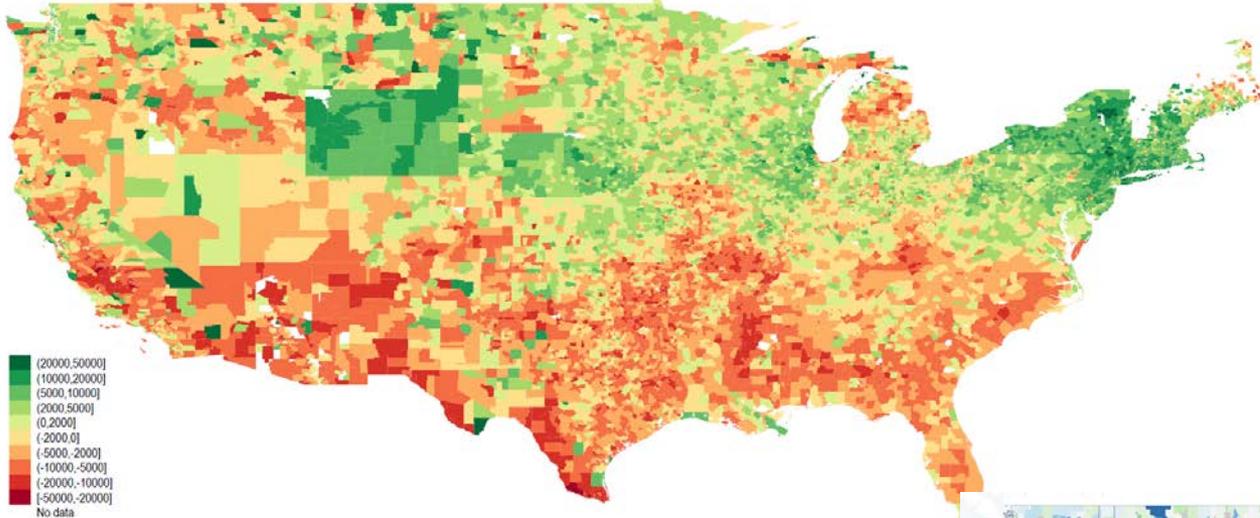
Figure 1. Education Cost Model Components



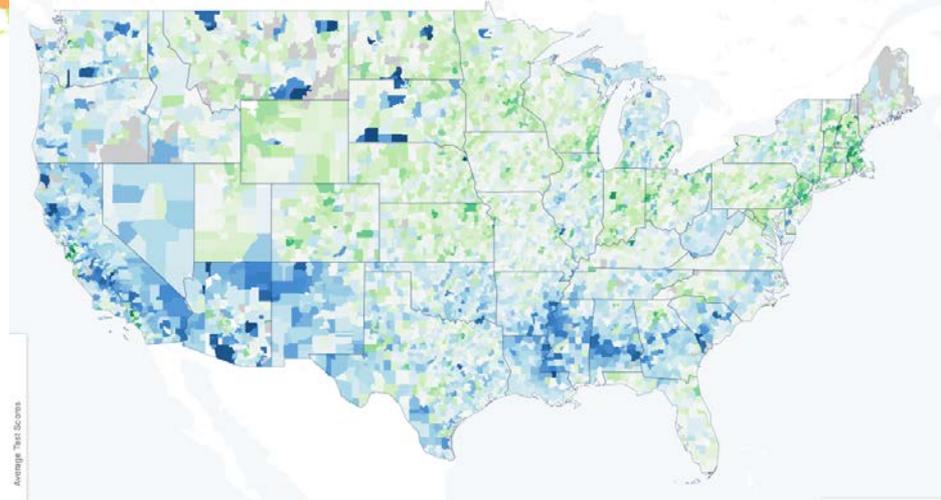
Funding Gaps:

<https://www.schoolfinancedata.org/the-adequacy-of-school-district-spending-in-the-u-s/>

2021
Standard 1



The Educational Opportunity Project
at Stanford University



$$\ln(\text{SCHOOL}) = b_0 + b_1 \text{State}_i + b_2 \text{LaborMarket}_i + b_3 \text{CWI}_i + b_4 \text{FINANCE}_i + b_5 \text{PopulationDensity}_i + b_6 \text{Enrollment}_i + b_7 \text{INDICATORS}_i + b_8 \text{Scale}_i + b_9 \text{Poverty}_i + b_{10} \text{SchType}_i + b_{11} \text{DATABASE}_i + e$$



Outcome Gaps:

<https://edopportunity.org/explorer/#/map/none/districts/avg/ses/all/3.5/38/-97/>

Economization vs. Neo-liberalism

- If neoliberalism is about the idealization of the market and a belief that the main role of government should be to create and uphold markets, economization is about a shift toward thinking in terms of the economy. The process of economization as it plays out in US S&T policy has two components.
 - First, it involves increased political concern with “the economy” and related economic abstractions (e.g., growth, productivity, the balance of trade) as objects of knowledge that government can act upon. This attention is grounded in the epistemic authority of the economics discipline, but is also made possible by the proliferation of calculative devices (e.g., gross national product/gross domestic product [GDP], research and development [R&D] expenditures, productivity measures) that enable empirical analysis of these abstractions (Callon and Muniesa 2005).
 - Second, it involves coming to see more activities as inputs into this system—inputs that government can potentially manipulate in order to affect the economy.
 - Berman, E. P. (2014). Not just neoliberalism: Economization in US science and technology policy. *Science, Technology, & Human Values*, 39(3), 397-431.

Related issue / concern: Financialization

- When dollar gain is the preferred system outcome, it can reshape/ distort system mission
- Financialization → Extent to which returns and costs of institutions are from financial transactions rather than the core institutional mission (or, extent to which financial transactions become the core institutional mission)
 - Many “public goods” and services have become nearly fully financialized, from energy to healthcare (& insurance) with increasing share of hospitals controlled by private equity firms
 - Prevalent in higher education
 - Induces inequities (wealthy “firms” can increase returns on investments more than transaction costs, whereas others cannot)
 - Eaton, C., Habinek, J., Goldstein, A., Dioun, C., Santibáñez Godoy, D. G., & Osley-Thomas, R. (2016). The financialization of US higher education. *Socio-Economic Review*, 14(3), 507-535.
 - Increasingly an issue in residential infrastructure, ownership & management
 - Charter schooling, real estate & management
 - Private ownership & non-democratic control
 - Excessive transaction expenses
 - Some local public districts, in desperation, are seeking similar methods for financing capital

See also: Cohen, M. I. (2020). Business-Inspired School Reform in the Era of Financialization: Not Business as Usual. *Educational Policy*, 0895904820904736.

Economization, Financialization & Energy policy in the U.S.

Mr. Hogan, a professor of global energy policy at Harvard's Kennedy School, acknowledged that while many Texans have struggled this week without heat and electricity, the state's energy market has functioned as it was designed.

That design relies on basic economics: When electricity demand increases, so too does the price for power. The higher prices force consumers to reduce energy use to prevent cascading failures of power plants that could leave the entire state in the dark, while encouraging power plants to generate more electricity.

"It's not convenient," Professor Hogan said. "It's not nice. It's necessary."