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Suppose There Were a World Bank For American Education ...

By Stephen P. Heyneman

Earlier this year, I attended a meeting at which two school superintendents spoke on the fiscal problems they faced. Both were from traditionally wealthy districts, but because of several factors—court-mandated intrastate fiscal redistribution, a sudden growth in special-needs and non-English-speaking populations, lowered property values, and demands to adhere to new federal and state standards—both superintendents believed that their districts were in a state of fiscal crisis and needed new infusions of public tax resources. If you want higher quality, they said, you have to pay for it.

This is analogous to the circumstances in which I have found myself working over the past two decades at the World Bank. There I helped education systems in six regions of the world work through problems of fiscal crisis. In exchange for creative and often courageous policy reforms, we would negotiate fiscal support. Sometimes the size of that support was sufficient to help the borrower stabilize income and expenditures over a period of five years worth as much as one-quarter of the recurrent budget.

School districts and states in this country are unique, in that their independent source of revenue makes them, in effect, autonomous bodies. Together, they have the authority to raise and administer revenues, set salaries, and establish budgetary controls. In some respects, they are not unlike nations. But unlike nations, states and school districts have no World Bank to which they might turn for assistance. The World Bank is like an equity-owned company, in which shares are controlled by the owners. On instruction of the owners, the World Bank makes loans—with conditions. No nation borrows for education unless agreement can be reached on a set of education reforms designed to place that nation on a sustainable footing with respect to educational quality, efficiency, and equity.

Suppose there were a World Bank for U.S. education, and suppose its resources were sufficient to lend up to 25 percent of a school district's recurrent budget, for a period of five years, at a rate of interest considerably lower than the market? These incentives might be sufficient to make the state superintendent of public instruction and the district school board interested in borrowing. What kinds of policy reforms might be discussed by the World Bank in an American education context?

There are four kinds of reform categories typically under consideration: (1) elimination of less necessary programs, (2) financial diversification, (3) quantum increases in efficiency, and (4) significant improvements in governance and the process of decisionmaking.

In the case of less necessary programs, up for discussion might be characteristics of U.S. education that, by world education standards, could be seen as unnecessary. No urban school district in other industrialized democracies maintains a separate system of public transportation for schoolchildren. In Paris, London, Berlin, and Tokyo, for instance, children get to school on public transportation with subsidized fares. So, first under consideration for reform might be the duplication of transportation systems. Second might be interscholastic competitive athletics. That all students should get healthy exercise is axiomatic; but no other nation confuses exercise for interscholastic competition. Many nations, such as Australia, value competitive sports highly, but sponsor them through private neighborhood organizations instead of the school system. Could resources for interscholastic competition be raised in the United States through independent foundations rather than through tax resources?

Aside from these two areas, we might consider a long list of services that border on personal consumption rather than human-capital investment: driver's education, occupational counseling, and marching bands, to name a few. Could these be provided through mechanisms other than schools, and financed by budgets other than for education? A district might be able to

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reduce expenditures by 15 percent without sacrificing its core educational function. This would be the kind of reform that would interest an organization charged with the responsibility of loaning significant amounts of capital to a local school district for educational adjustment.

Diversifying and improving the resource base might be a second category for discussion. The property tax as the basis of much educational financing has significant problems, not the least of which is the fact that those with the most children of school age are the least likely to pay property taxes, rendering it difficult to convince voters to raise taxes for a service they don't directly need. The discussion might include having local industries and employers tax themselves for purposes of education; or a special tax on tobacco or alcohol; or a progressive local income tax. Another topic to ponder: the proportion of the budget that could be raised through voluntary contributions.

Significant improvements in efficiency might also be under discussion. Much class time in American schools is misallocated because of the exigencies of managing (sometimes unruly) crowds of age-segregated adolescents though an odd mixture of important and superficial activities—chemistry labs, pep rallies, early lunch, and more. In terms of size, American schools are the largest in the world. They appear to an outsider to have been consolidated for purposes of bringing together in one location many activities of peripheral educational value. Smaller schools and time-on-task performance targets might well be considered as candidates for being loan conditionalities.

There is also the question of teacher salaries. In all nations, teachers constitute the largest single profession, and by far the largest budget item in education. But no matter how much teachers are paid, there is no way to accurately differentiate the excellent from the mediocre. Merit-pay schemes in this country have often been diluted by low amounts devoted to merit and contradictory priorities.

What would the World Bank suggest? It might ask a local school district to learn from the experience of other countries. The bank might lay out a series of professional reforms that appear to have potential, including those that mandate regular teacher upgrading with significant pay increments based on performance.

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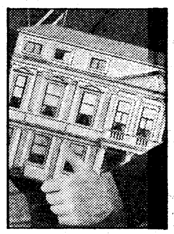

Susan Sanford

But the World Bank would probably take a dim view of districts and state departments of education that cover the costs for teachers' inservice postgraduate training at state higher education institutions without tighter control over the product. Having taxpayers cover the cost of higher salaries for master's degrees with a wide range in quality might be seen as a wasteful management practice. The bank would probably encourage a discussion of how inservice postgraduate training could be offered through open competition among providers and financed through multiple sources.

One last category for discussion might be the question of educational governance and the process of reaching consensus over policy. No outsider could observe American education without noticing the often dysfunctional debates over school policies: how to balance the priorities among football, drama club, mathematics, community service, foreign languages, driver's education, and so forth. Since there is no nation with enough resources to finance everything to everyone's content, often a World Bank loan will be accompanied by new methods to achieve public consensus over priorities. Would this mean that important professional points of view (of teachers and curriculum specialists, for example) could be represented on school boards to offset the tendency for special interests to achieve dominant influence? Would it mean that all of the various levels of education finance—state, federal, private, and industrial—might be represented on boards to achieve better alignment between fiscal and policy responsibility?

Superintendents could continue to argue that their districts deserved more tax money because their mission is so important. Education *is* important. But then, so is health care, Social Security, and police protection. School districts could always opt not to approach the World Bank for a loan. But if they were to seek a loan, the public, perhaps in an open vote over mutually exclusive priorities, would have to agree to a series of significant changes.

In all cases of World Bank loans, serious choices have to be made, and long-held traditions have to be questioned. The bank might well recommend having more effective systems of public participation, so that future debates over priorities could be held with constructive outcomes.

What if there were a World Bank for U.S. education? ■