

Policy Focus

The Case for For-Profit Education

RECIPES FOR RATIONAL GOVERNMENT FROM THE INDEPENDENT WOMEN'S FORUM

Carrie Lukas, Managing Director, Independent Women's Forum

November 2011

Volume 1, Number 11

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WHAT YOU NEED TO KNOW

We all know our education system isn't working as it should. During the last forty years, per pupil spending on public K-12 education has tripled, after accounting for inflation. Yet test scores have stagnated. Too many students leave U.S. schools without needed skills.

Our education system simply fails to encourage innovation or reward success. We need to fundamentally change incentives to encourage real progress and better outcomes. Putting education consumers—parents and students—in control of the resources we already spend on education would encourage real dynamism, as providers compete to provide the best service at the best price.

For-profit entities should be among those providers competing for education dollars. Defenders of the status quo recoil from the idea of for-profit education companies, but there is no reason why the profit-motive will be any less effective in encouraging innovation in education than it has been in improving other aspects of life.

Americans should want the best and brightest minds competing to find innovative ways to educate students, and for entrepreneurs to know that they'll be financially rewarded for developing effective programs.

The good news is that innovative new education strategies already exist that have the potential to help children (and adults!) learn more. The even better news is that if we unlock the money we already invest in American education, we could see a revolution in education leading to better prepared students.

WHY YOU SHOULD CARE

A good education helps individuals reach their potential and creates a more productive, engaged society. Here's why you should support education reform, including allowing for-profit education providers to compete for education funds:

- **The Status Quo Isn't Working:** We've poured money into education, and the results remain disappointing.
- **Our Poor Education System Is A Drag on the Economy:** The management consulting firm [McKinsey and Company](#) analyzed the effects of our substandard K-12 education system and concluded it was the equivalent of a "permanent national recession" that made our country hundreds of billions of dollars poorer each year.
- **A Private-Sector Solution:** Allowing businesses to compete for education dollars will lead to better educational outcomes and give our economy a boost.
- **Reform Without New Costs:** Improving our education system doesn't require more tax dollars—it requires unlocking the resources already being spent on education to encourage real innovation and reward success.

The United States deserves a world-class education system. We can have it if we return to our traditional reliance on markets to encourage innovation.

MORE INFORMATION

The Status Quo In Education Isn't Working

You've heard the statistics: One in every four eighth graders scored "Below Basic" on reading and math on a national test known as the "[Nation's Report Card](#)." That means they cannot consistently read and understand the meaning of a text, and lack basic mathematical concepts and problem-solving abilities. These students will have a tough time catching up, and many won't. They will leave school without basic skills.

Americans are familiar with our K-12 public school system's failures, but many are just starting to realize that our higher education system also isn't working as it should. A college degree used to be almost a guarantee of a good paying job and career, which made borrowing money to attend college a safe investment. Today, however, many college grads are struggling to pay back loans and find [employment](#). Even those working are often underemployed, taking on jobs just to pay the bills rather than build a career.

What's the matter with our current education system?

While many factors contribute, a root cause is the fundamental structure, which fails to encourage innovation and reward results. Americans have

come to expect better service in almost all aspects of life. Products we purchase—from cars, kitchen appliances and televisions to homes and electronics—have become less expensive and higher quality. Industries have found new ways to deliver the services we want, from entertainment to telephone communications to food delivery, at lower costs with greater convenience.

In contrast, many K-12 classrooms are almost indistinguishable from those students attended in the 1950s. About twenty students still sit in desks, with textbooks, listening to a generalist teacher provide the day's instruction from September until June each year.

Schools have tried to modernize. Indeed, getting a “computer in every classroom” has been a battle cry for political candidates on the left and right, at every level of government. Yet simply sticking computers or other new technologies into existing structures is unlikely to do more than increase costs and yield the same disappointing results.

Higher education has changed more, and today there are a variety of educational models, but taxpayer support is still lavished on state university systems that generally follow the traditional campus paradigm. Most students live in dorms and gather in big halls to attend professors' lectures in pursuit of liberal arts degrees, which may have diminishing relevance to the modern economy.

To make our education system work better, a new perspective is needed. Americans need to

consider the fundamental question: How can we most effectively teach kids the skills they need?

The most important part of answering that question is to realize that the answer won't be the same for everyone. What works for one student may bore another.

The key to creating real, meaningful learning opportunities is to encourage education providers—both for-profit and non-profit—to compete to find solutions that will meet the varied needs of the **50 million** school-age students, as well as the rest of the population, who want to learn more.

Profit Isn't A Problem

Americans increasingly understand we need to move beyond the one-size-fits-all public school model. There has been a quiet, country-wide revolution as states have loosened restrictions on the types of schools that children can attend, allowing for the creation of charter schools (public schools that are free from many regulations imposed on traditional public schools), programs to help kids attend private schools, and home schooling programs.

However, while Americans understand the importance of competition among providers to create better results, some object to the idea of for-profit education companies being in the mix. They see the desire to make money as a conflict with the goal of providing kids with a quality education.

Yet there is no inherent conflict between the profit-motive and quality education. In fact, the profit-motive is likely to help in the pursuit of better learning opportunities.

Americans understand how the profit-motive works in just about all other aspects of life. We know that when engineers work to design a car that better protects passengers while requiring less oil, they may truly be inspired by a desire to reduce car-accident deaths and reduce energy consumption. But we also know—as do the companies that invest their resources in the research and development of those superior products—that consumers will want to purchase cars that are safer and more fuel efficient. Those engineers will be rewarded financially in the competitive marketplace for finding a better solution.

This dynamic works not just for consumer goods, but for services and treatments. Medical researchers certainly want to reduce illness-related death and suffering, but they also have the incentive that there will be big financial rewards for finding a cure. It's that potential payoff that makes it possible for companies to pour billions into the research and development of new treatments and cures.

And that's how it should work in education.

We want the best and brightest minds to dedicate their lives to figuring how kids learn best. We need companies to spend time and money researching which protocols work with a certain age group, and then how those protocols should be

refined to work better for a different set of children. We want a wide variety of education providers to spring up in every corner of the country so that education consumers can select, and reward, the providers that best serve their needs.

Ask yourself this, do you really think that our telephone and communications systems would be as highly developed if we'd relied only on the altruism of non-profit providers to come up with ways to help people keep in touch?

What About Fraud?

Some worry that rather than focusing on providing superior education opportunities, for-profit companies will invest in tricking consumers into buying substandard education services.

This is a legitimate concern. No system can root out all bad behavior. Fraud is already illegal and should be prosecuted anytime a company misrepresents what their service provides, the results consumers can expect, or otherwise breaks the rules.

However, the problem of fraud and misplaced priorities is not intrinsic to for-profit education. Non-profit or government-supported providers also attempt to game results to their benefit (for example, read about the recent [cheating scandal](#) in Atlanta). And one of the biggest problems with the current public education system, which has a captive client base of students assigned to attend certain schools, is that bad schools are rarely shut down.

In a competitive education marketplace, education providers that offer bad products and services will have a tough time competing. Watchdog organizations and services (such as consumer reports) will emerge to help guide consumers about the best options and steer them away from those that fail to deliver. Not all consumers will do their homework before selecting an education provider, but the many consumers that do research before making a decision will help weed out the worst providers, benefiting everyone. This doesn't mean that there will never be a bad school, but it's a process that will be much more efficient at eliminating bad schools than the status quo.

Unleashing An Education Revolution

The key to encouraging a truly dynamic education marketplace is unlocking the resources we already spend so that parents can seek the education models that will work best for their children.

Right now, the average public school student will have more than \$100,000 invested in his or her education between kindergarten and graduating high school. If parents controlled those resources—if they could select from a wide-variety of schools and education providers—entrepreneurs would have tremendous incentive to find solutions that work.

Policymakers need to pursue reforms that put power in the hands of parents and stop pushing students toward the one-size-fits-all models that we've used in the past. Schools should be freed

from most regulations so that they can pursue more dynamic, innovative learning models. Non-profit education providers should compete with for-profit entities so that we have the best minds focused on finding the best way to provide a quality education for Americans everywhere.

At-Home Learning

Teachers and parents know that the key to academic success depends as much on what children learn at home as what they learn at school.

Today's parents are fortunate that a growing number of products are available to help pass on basic skills and knowledge. These range from educational toys and videos to detailed curriculum that parents can purchase and use to augment or even replace traditional schools.

While much of the discussion about the explosion of media options centers on the prevalence of profane and violent content—a real problem to be sure—we've also seen incredible growth in educational content. The Discovery Channel and Science Channels engage young minds so that many children don't even know they are learning useful content, while being entertained.

Of course, it's not just children who benefit from at-home education opportunities. Millions of women (and men) use these resources to obtain degrees and additional job skills. Online learning opportunities can be particularly important for women, allowing them to complete coursework on their own schedule, reduce commuting hassles, and explore subjects privately that might be outside of their traditional comfort zone.

WHAT YOU CAN DO

You can help encourage an education revolution!

- **Get Informed:** Learn more about education reform and for-profit education. Visit:
 - The Independent Women's Forum (www.iwf.org)
 - Innosight Institute (www.innosightinstitute.org)
 - Education Industry Association (www.educationindustry.org)
- **Talk to Your Friends:** Help your friends and family understand these important issues. Tell them about what's going on and encourage them to join you in getting involved.

● **Become a Leader in the Community:**

Get a group together each month to talk about a political/policy issue (it will be fun!). Write a letter to the editor. Show up at local government meetings and make your opinions known. Go to rallies. Better yet, organize rallies! A few motivated people can change the world.

- **Remain Engaged Politically:** Too many good citizens see election time as the only time they need to pay attention to politics. We need everyone to pay attention and hold elected officials accountable. Let your Representatives know your opinions. After all, they are supposed to work for you

ABOUT THE INDEPENDENT WOMEN'S FORUM

The Independent Women's Forum (IWF) is dedicated to building support for free markets, limited government, and individual responsibility.

IWF, a non-partisan, 501(c)(3) research and educational institution, seeks to combat the too-common presumption that women want and benefit from big government, and build awareness of the ways that women are better served by greater economic freedom. By aggressively seeking earned media, providing easy-to-read, timely publications and commentary, and reaching out to the public, we seek to cultivate support for these important principles and encourage women to join us in working to return the country to limited, Constitutional government.

We rely on the support of people like you! Please visit us on our website www.iwf.org to get more information and consider making a donation to IWF.

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