

School Vouchers: The Right Choice or Wrong Policy for Improving Our Schools?

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“The true high school graduation rate is substantially lower than the official rate issued by the National Center for Education Statistics; it has been declining steadily over the past 40 years; and the majority/minority graduation rate differentials are substantial and have not converged over the past 35 years.”

—James J. Heckman and Paul A. LaFontaine

In 1955, Nobel Laureate economist Milton Friedman wrote a seminal essay entitled “[The Role of Government in Education](#).” He discussed the legitimacy of the government as the administrator of educational institutions. He proposed “giving parents vouchers redeemable for a specified sum per child to be spent on ‘approved’ educational services,” thus widening the choices available to parents.

In 2008, 23 school choice programs now exist in 14 states and the District of Columbia. Although Friedman’s blueprint consisted of a universal voucher program for all students provided the educational services were approved, these programs are each administered very differently. The current programs fall into two categories: vouchers and tax credits. (A tax credit is essentially a voucher that has been created through the tax code.)

Opponents of school vouchers question the legality of subsidizing religious schools. They also question whether vouchers cause “creaming” (taking only the best students). One often cited concern is that although students accepted into the voucher system may see their scores improve, even more students could be left behind in the underperforming schools. Accountability is also a concern: Because private schools are not required to administer national tests, often no metric exists for comparison. Finally, opponents argue that there are few data to support the idea that vouchers improve students’ scores or the underperforming schools that have lost students.

Proponents of school vouchers argue that the free market is the most effective way to improve our nation’s schools. They argue that only those who can afford to pay “twice”—first through property taxes and then through tuition—currently have a choice on education. With vouchers, all parents would have a choice on which school their children would attend, and, *through* this increased competition, schools would be forced to improve or risk losing their students. In a [2007 article](#), Rajashri Chakrabarti examined data from the Milwaukee voucher program, specifically examining data since 1998 when religious schools were first allowed to accept voucher students and changes in the funding formula saw a rise in revenue loss per student from vouchers for the “base” school. Allowing religious schools to participate led to a major expansion in terms of the number of both schools and students. Chakrabarti’s results show a significant improvement in performance in both voucher and nonvoucher students. This finding contrasts a previous analysis of the program prior to the 1998 changes, which were inconclusive. These findings imply that voucher design matters—namely, without a real threat of a loss of funding to the underperforming school and without adequate school choice and availability to students, improvements are not necessarily expected.

In today’s increasingly globalized economy, countries with the best-educated populations usually will reap high returns over time. Statistics on U.S. competitiveness in education are grim. [A March 2008](#) report states that the U.S. high school graduation rate ranks near the bottom of developed nations in the Organisation for Economic Co-operation and Development. Thus, it is imperative that the U.S. education system improve. How to achieve this is still up for debate: Voucher opponents argue that it is best done within the existing school systems, and voucher proponents call for a more radical change. In a democracy, the voters will decide.

By Michelle T. Armesto, Senior Research Associate, Federal Reserve Bank of St. Louis

The views expressed are those of the author and do not necessarily reflect the official positions of the Federal Reserve Bank of St. Louis, the Federal Reserve System, or the Board of Governors.

Recent Articles and Further Reading on School Vouchers

[“Impact of Voucher Design on Public School Performance: Evidence from Florida and Milwaukee Voucher Programs”](#) by Rajashri Chakrabarti, Federal Reserve Bank of New York, Staff Report No. 315, January 2008.

This paper examines the impact of vouchers in general and voucher design in particular on public school performance. It argues that all voucher programs are not created equal.

[“Academic Alternatives”](#) by Doug Campbell, Federal Reserve Bank of Atlanta *Region Focus*, Spring 2007, pp. 12-19.

The theory of school choice sounds great, but it remains controversial. Now, evidence from programs like the one in Milwaukee is beginning to move the discussion from the theoretical to the practical.

[“Vouchers and the Cleveland Scholarship Program: Little Progress So Far”](#) by Clive R. Belfield, Federal Reserve Bank of Cleveland *Economic Commentary*, March 1, 2006.

Voucher programs are intended to raise the academic achievement of students, but, unfortunately, so far the evidence suggests that Cleveland’s voucher students perform no better than their counterparts in public schools.

Free Data Sources and Reports

Publication: “School Vouchers: Publicly Funded Programs in Cleveland and Milwaukee: Report to the Honorable Judd Gregg, U.S. Senate,” GAO-01-914, by United States General Accounting Office (August 2001)

Description: Provides information on the publicly funded school voucher programs in Cleveland and Milwaukee, primarily based on research conducted on these programs

Published by: United States General Accountability Office

Location: <http://www.gao.gov/new.items/d01914.pdf>

Publication: “Common Core of Data (CCD),” by U.S. Department of Education’s National Center for Education Statistics

Description: A program that annually collects fiscal and nonfiscal data about all public schools, public school districts, and state education agencies in the United States

Published by: U.S. Department of Education’s National Center for Education Statistics

Location: <http://nces.ed.gov/ccd/>

Website: Milwaukee Parental Choice Homepage

Description: Provides facts, figures, statutes, rules, and other data and information about the Milwaukee voucher program since its inception

Published by: Wisconsin Department of Public Instruction

Location: <http://dpi.wi.gov/sms/choice.html>

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