Creative Instruction?
A Qualitative Analysis of Voucher
Reforms Through the Case of Sweden, 1991-2011

by

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Preface.

“BELL Summer, we gonna learn over here! We’re gonna be resolved to get involved this year, Go out and change the world, we got nothin’ to fear— ‘Cuz Hands On Fourth Grade is gonna take the wheel and Steer!”

Their words echoed throughout the auditorium, distinguishable above the thumps and clashes of their self-made rhythm section: a repeated dance of stomps and claps. The twenty-four proud fourth graders had been perfecting the chant for the past week, mustering unprecedented cooperation and teamwork in preparation for their graduation-day competition. It paid off. They would win first place, even up against classes of mature sixth graders and adorable first graders. The ceremonious competition between the classes suffused the auditorium with a sense of triumph and accomplishment. But it was undeserved.

I spent the summer of 2008 working at BELL (Building Educated Leaders for Life), a not-for-profit organization which seeks to provide underserved students in seventh grade or below with after school tutoring and six weeks of summer classes in response to research suggesting that the differences in learning time and educational opportunities during the school year and summer account for two-thirds of the achievement gap in the United States. I worked as the teacher’s assistant for this fourth grade class in one of BELL’s schools in Mattapan, Massachusetts, inspired by the organization’s mission, website, posters, and commitment to social justice in their curricula.

On the first day of class, all two hundred students politely gathered in the auditorium to learn the school chant. The director would shout, “B-E-L-L, What’s
that spell?” The students would respond “BELL! Where we learn and grow until it shows that with hard work we’ll reach our goals!” At first they repeated it monotonously, undoubtedly wondering how only weeks after they were liberated from school for the summer, they ended up in this stuffy auditorium regurgitating empty phrases. But as the summer director and assistant director riled them up, asking them to repeat the chant over and over again, the students couldn’t help but call-back with a unified and powerful character that sounded to any outside observer more like a demand than a recitation. They would learn until they reached their goals, and no one better get in their way. I was exhilarated.

But as we shuffled students into their classrooms, closed the doors, and began the process of instruction, something changed. The school mission, culture and commitment to social justice faded into the background, replaced by the mundane tasks of a mediocre summer school. We were asked to channel the BELL mission in our classroom, but were given as support only a standardized curriculum, an insipid approach to behavior management, and a plethora of unhelpful and uninspired classroom activities, books, and worksheets.

The mornings were devoted to academics and the afternoons to “enrichment activities.” My students split the afternoon between a karate class and leadership course ambiguously titled “Who am I?” The question was never answered, due primarily to the teacher’s constant tardiness, frequent absences, and improvised lessons, which were often constructed around behavioral problems that had emerged as the students waited for the teacher to arrive. One lesson, for example, taught the students how to show respect for those who raised them by walking in a straight and
quiet line. After an hour of practice and a couple motivating speeches, they mastered it. The karate teacher, though dedicated and capable of scaring anyone under six-foot-nine—myself included—into perfect behavior, ignored the BELL missions and standards for behavior management. He often reprimanded students for actions BELL espoused and expressed views that conflicted with BELL’s educational values, often leaving the students confused about the purpose of summer school and its behavioral expectations.

The one way in which the BELL mission did pervade every classroom concerned how we addressed the students. As a group, they were called scholars, and individually, we affixed the title “Mr.” or “Ms.” to each student’s first name. It was meant to signify the higher expectations and level of respect we had for our students, though most of the time the two extra syllables only facilitated a more admonishing tone. Just like a mother in a moment of rebuke may exclaim “Maxwell Michael, get down from there!” so too would we relish in the extra bite of the students’ extended titles: “Mister Jelani, in your seat!”

In time, the students began to realize this program was no different from school, only in the summer, with more boring lessons, and with less severe consequences for misbehavior. Our fourth grade class had a very wide range of students both academically and socially. Some were truly brilliant, while others were years behind their peers. Some had perfect behavior, a few rarely behaved, and the rest molded to the classroom environment, whether that be diligence or chaos. Most regrettably, a handful of students had anger management issues and one, we suspected, had undiagnosed dyslexia. Faced with these challenges, in addition to the
school’s seeming lack of concern for providing resources and holding teachers accountable, the moment came when even my assigned teacher and I no longer attempted to channel the BELL mission of social justice and high standards, and instead consigned ourselves to one simple goal: getting through the summer in one piece.

We were not alone. By the end of the summer, it seemed that the responsibility for helping these students catch up had been categorically deferred. Some of us blamed the public schools, others the home environments or flaws in the BELL curriculum. Really, there was no shortage of excuses. But they only served to rationalize away one inescapable truth: we had given up. Not in the most literal sense, of course. We still showed up to work at 7:15 am and didn’t leave until 4:00 pm, we still exhausted ourselves in the hopes of keeping order, and we still did everything we could to trudge through the curriculum before the end of classes.

Yet in a more subtle way, things had changed. Our idealism at the outset of the program had been supplanted by low expectations and raw cynicism. While at the beginning of the summer we would have tried re-teaching basic multiplication if we found out during a fractions unit that just one student was missing that arithmetic base, by the last two weeks a cold cost-benefit analysis revealed that our time was better spent ensuring instead that the rest of the class had a sufficient understanding of the material. The pervasive socioeconomic setbacks we were at one point determined to help our students overcome suddenly were viewed as intractable. Not only were we ill equipped to solve them, but also attempting to do so would only preclude us from meeting our curricular and behavioral obligations to the class and the BELL program.
So even though I heralded our first place cheer as a vindication of my potential as a teacher—despite a lackluster performance throughout the rest of the summer—I still couldn’t help but see a cruel irony. The chant was an emblem of the entire program: a colorful, idealistic and bold veneer over a vacant interior. I had no doubt that many of my students would go on to do incredible things, but in that moment I had no faith that BELL or my class had helped them in that endeavor.

That experience left me with a couple of lingering questions. BELL’s mission is undoubtedly worthy, and its organizers care deeply about the issues at stake. But it is also imperfect and unchallenged, as most of the students it serves have no better options for summer schools or after school programs. What forces can improve organizations such as BELL without simply imposing superficially enticing but pedagogically unhelpful curricula or organizational norms? More fundamentally, I experienced the process by which well-intentioned people can systematically defer the responsibility of teaching difficult-to-educate students, and I had no doubt that this was not uncommon in our public school system. While I have not researched the day-to-day work of teachers in high-need schools to assess how universal this tendency is, if one considers drop-out rates as one of the ultimate indicators of faculty giving up on students, then the numbers in many ways speak for themselves. For example, although the graduation rate in the United States is roughly 75%, the two largest school districts in the entire country, New York City and Los Angeles have graduation rates of 55% and 41% respectively, which total a projected 86,000 non-graduates in 2011 alone.¹

¹ *Highest to Lowest: Graduation Rates in the Nation’s 50 Largest School Districts.*
Such staggering figures for the two largest districts suggest even lower rates for many of the poorest performing public schools. For example, in 2002, Walton High School in the Bronx graduated only 15% of its 1300 ninth grade students.\(^2\) Indeed, I think it would be virtually impossible to allow up to 80% of a school’s freshman class to drop out before graduating without the school staff in some way dramatically lowering their standards and giving up on their students.\(^3\) Especially because students face such pronounced inequities outside of schools, how can the incentives, support, and forces of motivation for teachers be adjusted so that schools can begin to overcome these systemic problems?

The prospects seem grim. Pick up virtually any book on the history of American education and you will find a depressing narrative of failed reforms driven by admirable intentions and profound intelligence, but ultimately culminating into transitory fads that only seem to leave schools in a deeper stagnancy. Yet all these reforms have one thing in common. With few exceptions, they are centrally planned and imposed upon schools by experts, policymakers, and politicians.

But there is one approach to reform that is fundamentally different. This approach begins with the premise that experts do not always know what is best for teachers and students, that policymakers cannot always adapt to changing environments, and that drastic change capable of outstripping the slow and imperfect calculations of federal or state governments is necessary. The policy I am talking

\(^2\) Kozol, *The Same of the Nation: The Restoration of Apartheid Schooling in America*, 150.

\(^3\) I am not implying that low teacher motivation is the cause of this dropout rate rather than socioeconomic factors such as inequality, poverty, and urban blight. I am merely suggesting that a decline in teacher motivation is inevitably intertwined with these statistics, whether a partial cause, consequence, or a mix of both.
about seems suspiciously simple: turn public schools into private schools. The logic is enticing. Privatizing our education system by having the government provide students with vouchers, which they can use to pay the costs of any school they choose to attend, will force schools to compete and improve, or otherwise go out of business. Moreover, if markets could enhance the productivity of our school system with even a fraction of the efficacy with which they have improved other sectors of the economy, then the problems our country faces regarding education would be profoundly different.

Furthermore, such a solution seems to fix the most pressing problems I witnessed at BELL. Indeed, although I have no doubt the founder, staff, directors, and assistant directors at BELL schools individually care tremendously about the students and teachers they claim to support, when they act collectively as a large, centralized organization, the needs of students and teachers get lost in the shuffle. For example, BELL publicizes a number of performance indicators, such as the improvement in test scores from the beginning to the end of the summer. Keeping these numbers up is undoubtedly critical to their ability to attract financial capital from donors or government grants. For this reason, they have a powerful incentive to do whatever it takes to increase test scores. In fact, the school at which I taught resorted to giving students the exact same test to measure student improvement at the beginning and end of the summer. While this is perhaps jarring to some, if those who run BELL believe in their model, or even if they simply believe that an imperfect summer school is better than no summer school, then perhaps the decision to mislead everyone just a bit to ensure that more students have access to a free summer school is understandable.
However, if BELL were a firm, competitors would realize its weaknesses and join the market to educate these students, either putting BELL out of business or forcing it to improve its curricula, mission, and the other more superficial components of its programme. Furthermore, giving up on the immense potential in students by lowering standards or allowing them to drop out would be deeply frowned upon, since such action would alienate consumers, decrease revenue and potentially drive schools out of business. BELL would have to ensure that their inspirational vision suffused every classroom every day as a means of keeping both students and teachers committed to its ambitious goals.

Why Not Markets? A Brief Application of Arguments for Government Intervention to Educational Goods

Rather than take this time to argue that markets are necessarily better producers of education than the government, I will take a traditionally liberal route and acknowledge the fact that markets are generally much more capable than governments at efficiently allocating resources and increasing the productivity of firms over time.\(^4\) I will, however, shift the burden of proof, asking instead why markets should not run our schools. This logic implies that we can assume that markets are the most efficient and capable producers of any given product unless there is sufficient reason to ban them from a particular sector. However, our schools have become publicly administered not as a result of any rational decision-making

\(^4\) By ‘liberal,’ I mean anyone who recognizes the advantages of markets over governments in allocating resources efficiently and setting prices. This is the sense in which Adam Smith would call himself a liberal, or in which The Economist would describe itself as a liberal publication.
process. The predominance of public schools in the United States does not reflect a rational decision that private schools would be detrimental for one reason or another, but rather a series of political victories of various interest groups that benefited from a more centralized and bureaucratically run school system.\(^5\)

Government intervention is often rationalized in cases of market failure, which is most often caused by the existence of public goods, economies of scale, externalities, information failures, disequilibrium, and inadequate competition due to incomplete markets.\(^6\) Economists consider a good “public” when it is non-rival in consumption and non-excludable. A good is non-rival if one person’s consumption of the good does not preclude another’s; broadcast television is an example of such a good. A good is non-exclusive if it is impossible to exclude a non-paying person from consuming the good. As a result of these two qualities, the market production of public goods can result in underinvestment and “free-riding” by non-payers. For example, national security is both non-rival and non-exclusive. It is non-rival because citizen A’s consumption of national security does not reduce citizen B’s consumption. Further, the marginal cost of providing that service to citizen B is zero. The non-excludable nature of this good is also clear. If I wanted to pay for an army to keep my country safe from foreign invaders, I could not prevent my unpatriotic, unwilling-to-pay neighbor from enjoying the same luxury. Because it is so easy to free ride, no one has an incentive to bear the cost of buying national security, and as a result the good will not be provided unless government steps in and produces a national military so

\(^5\) Chubb and Moe, *Politics, Markets, and America’s Schools*, 4.

\(^6\) Stiglitz, *Economics of the Public Sector*, 77-85.
that our individually rational choices (i.e. to let others bear the costs) do not leave our country vulnerable to attack.

By this definition, are our schools public goods? It is certainly easy to exclude someone from a school; one can be physically banned from the school premises. This excludability suggests a private good. Schooling is also to some degree rival. It is easy to see how I could learn more from an hour of private tutoring than I would if thirty students, or even three students, were added to my class. As class size increases, it is generally more difficult for students to learn the same amount in a given period of time.

Nevertheless, many still invoke the positive externalities of a well-educated citizenry to justify government intervention. In other words, I benefit from the education of others. Even if I do not receive a day of schooling in my life, I still enjoy the luxuries of living in a well-educated society—advanced technology, less crime, better health-care, a more interesting culture to enjoy, and so forth. In a sense, I am free-riding off the education of others. For this reason as well, if individuals purchased their own education, they would only pay enough to cover the costs of educating themselves, even though they benefit from the education of others. This would result in net underinvestment in our schools. But, as Milton Friedman has argued, this does not necessarily justify the government delivering educational services. It only suggests that the government ought to subsidize education to make up for positive externalities not internalized by any participant.  

\[7\] Friedman, *Capitalism and Freedom*, 86.
The other market failures that might justify government intervention—economies of scale, information failures, disequilibrium, and inadequate competition due to incomplete markets—are difficult to discuss in the abstract, as they depend very much on the regulatory context of educational markets rather than the inherent qualities of schooling as a good. My point is not to argue that markets *can* or *should* be utilized to improve the quality of our schools. Indeed, the next chapter will discuss two primary market failures, high transaction costs and nonacademic preferences, that can pervade educational economies and preclude markets from being able to facilitate the development of a high quality and equitable school system. But to some degree, these market failures infuse all sectors of the economy, yet there is a consensus that in most cases an imperfect market is still more desirable than an imperfect government.

My point is rather that there is no sufficient reason, in the abstract, to dismiss the potential of markets to improve our schools more effectively than governments. Indeed, because the problems plaguing our schools are so systemic and intractable, it is absolutely critical to both theoretically and empirically examine whether the potential benefits of integrating market forces into our school system outweigh the costs of some of these inevitable market failures. This is for three primary reasons. First, analyzing empirical examples of well developed voucher systems is important because the nebulous character of educational quality precludes theoretical models from predicting the affects of market forces on schools, as well as the need for government intervention. But in a broader sense, because markets have absolutely transformed the productivity and efficiency of almost every aspect of human life over the past centuries, it is not unreasonable to wonder if a voucher system could benefit
schools in ways that a publicly administered system cannot. Perhaps most importantly, an effective educational system is invaluable to ensuring the continued success of our economy, our democracy, and our ability to ensure that every person has equal capacity to pursue a meaningful life. For these reasons, it would be unwise to overlook such an opportunity for dramatic educational improvement.

**Contributions, Methodology, and Limitations**

The central goal of this thesis is therefore to evaluate the potential of market forces to improve our schools. In Chapter one I will introduce John Chubb and Terry Moe’s *Politics, Markets, and America’s Schools* a book that offers one of the most comprehensive cases for a voucher system since Milton Friedman’s initial argument in 1962. It will be used as the basic theoretical criteria for how choice advocates believe vouchers will develop school systems over time.

In this thesis, I will argue that empirical evidence is needed to evaluate Chubb and Moe’s theoretical case for educational vouchers. Unfortunately, the United States provides us with very few potential case studies. As a result, I discuss why Sweden, which has had a voucher system in place for the past two decades, serves as a useful case study, primarily due to the maturity of its educational market and its proven ability to regulate effectively in pursuit of egalitarian goals.

In Chapter one I will then describe Chubb and Moe’s theory in more detail, as well as the most compelling critiques of their arguments. The purpose will be to lay out the competing theoretical frameworks to be vindicated or contested by the Swedish experience, and to demonstrate the current lack of consensus as to whether
or not a carefully implemented egalitarian voucher system could improve schools for students across the socioeconomic spectrum.

With this established, I will begin a three-part analysis of Sweden as a case study for effects of a voucher system on school development. This analysis will be based primarily on eighteen interviews I conducted in May and June of 2010 with various students, staff, politicians, business leaders, and public spokesmen at six different schools. I initially sent interview requests only to schools in the Solna municipality with the intention of studying the dynamics of choice in a single area. I chose Solna for its location in the greater Stockholm region, and its relative socioeconomic diversity. However, since I learned that many students choose schools outside of their municipalities and heard back from so few of the people I initially contacted, I expanded my search to any schools I could reach via public transportation in the Stockholm region. My primary goal was to visit as diverse a selection of schools as possible. Of course, the schools I visited may have shared qualities that compelled them to respond to my emails. For that reason I will make no attempt to universalize the experiences of those I interviewed. Instead, I will use their stories as purely illustrative examples of certain incentives, problems, and successes that can emerge in a market-based educational system, relying on secondary literature to assess how universal these experiences may be. I do my best to objectively document all relevant disagreements I encountered among my primary and secondary sources. I also designed a survey that was conducted at only one school. I used the results only to add depth to my analysis of that particular school.

Finally, although I argue early on that educating socioeconomically
disadvantaged students is fundamentally different from educating middle and upper class students, the schools I visited, with one exception, served a generally middle class population of students. While this is certainly a methodological weakness, many of the insights I gained during visits and interviews were undoubtedly symptomatic of larger organizational and market forces likely to pervade schools across the socioeconomic spectrum.

In Chapter two I apply both primary and secondary sources to analyze the extent to which market failures are present in the Swedish school system. I argue that although the market failures manifest themselves in ways predicted by much of the secondary literature skeptical of school choice, such market problems cannot account for the way Swedish schools have developed since the voucher reforms. Chapter three will instead develop a relatively unused approach to analyzing changes in the school system as a result of voucher reforms, focusing on the capacity for schools to organize around a meaningful educational mission. According to Chubb and Moe, this capacity is critical if voucher reforms are to lead to dramatic educational improvement. I will argue that it is both difficult and expensive for schools to specialize pedagogically in a market system, and therefore schools face certain organizational limitations as they compete for students. The detrimental consequences of such limitations in an already imperfect educational marketplace will be explicated in Chapter four.

My conclusion will sum up these arguments, contending that the mix of organizational and market limitations in the Swedish school system prevent competition and markets from promoting educational improvements, even in optimal
regulatory environments. It will close with a discussion of how the organizational conclusions from this project may influence our current understanding of education as a private good, as well as an overview of some preliminary policy implications from the Swedish example.
Introduction.

A wave of change is spreading across schools around the world. In the past three decades, countries ranging from Chile to Sweden to the United States have all transitioned to a school system that provides some degree of educational choice—where families can decide to attend alternative and privately run schools if they are dissatisfied with publicly provided education. The government would then directly pay some or all of the student tuition, so that schools would be compensated based on the number of students they enroll. While the specific names (e.g. a voucher system, charter schools, magnet schools, school choice, market-based school reform), regulations, and successes of these systems vary greatly, they are rooted in the same logic first advanced by Milton Friedman and subsequently, expanded upon over the decades by other economists, political scientists and sociologists.

Friedman’s narrative is that schools are ineffective because they are not exposed to the forces of competition that constantly improve almost every other sector of the economy. Presently schools are allowed to perform poorly because they have a virtual monopoly over the production of educational goods. Few students have enough money to either afford private school or change residences because they are dissatisfied with the quality of their school. By providing students with choice, and therefore forcing schools to compete in order to attract students, the theory maintains that schools will have to implement much-needed reforms to succeed in a market environment. The reforms could address any aspect of the school’s program, including but not limited to overhauling the instructional content of schools, hiring only those teachers most capable of ensuring that students learn and supporting
teachers as much as possible in the process. This, on its own, should yield dramatic improvements in student satisfaction and academic achievement.

The choice paradigm is enticing to policymakers because it implies that schools already have everything they need to improve in terms of resources and political support. In a time of global recession and staggering national debts, policy solutions that bear no costs will have incredible political capital. For this reason it is not surprising that school choice is spreading across the globe with increasing vigor. The choice paradigm has even suffused American education policy, though not necessarily in ways its founders would approve.

For example, the charter school movement, praised by the Obama administration and widely regarded as the best solution to our country’s academic woes in a number of stirring documentaries in the past year, seeks to provide students in struggling school districts with a diversity of educational alternatives. To cultivate this educational diversity, the government distributes a limited number of charters, which schools or educational entrepreneurs can apply. These charters exempt schools from most state regulations on the condition that they meet certain social goals, such as higher test scores for low-income students. The charter can be revoked if a school’s goal is not fulfilled after a given number of years. Although the regulations and funding mechanisms of these charter systems vary greatly, they all

8 U.S. Department of Education, Race To The Top Program: Executive Summary, 3. The Obama administration’s Race to the Top initiative consisted of 4.35 billion dollars set aside that states and districts can apply for. A significant factor in determining which states get the money is whether they have a plan for “Ensuring successful conditions for high-performing charters and other innovative schools.”

9 In the past two years, two documentaries, The Lottery and Waiting for Superman have come out on this subject.
hinge upon the theory that privately managed schools competing for students are more likely to be able to increase educational quality.

The market-based educational arguments can even be regarded as the backdrop for the accountability movement, which aims to increase the amount of standardized testing and offer sanctions or rewards to schools or districts based on student performance. If the government can just align these incentives correctly, the philosophy maintains, then schools should improve without the need for increased outside support. While most advocates of choice do not believe governments have the capacity to design effective incentives, their stipulation that schools do not need more funding or increased government regulation to improve has fueled the argument that simply holding schools to higher standards may be enough to ensure test score gains.10

*Politics, Markets, and America’s Schools: A Methodological Introduction*

In their case for school vouchers, John Chubb and Terry Moe first set out to understand what makes successful schools successful. To measure success, they use an achievement test distributed to sophomores and seniors by the High School and Beyond (HS&B) survey in 1980, 1982, 1984 and 1986. The test focused on reading, writing, vocabulary, mathematics, and science in order to “measure raw aptitude, basic skills and acquired knowledge,” and to derive “a reasonably complete picture of a student’s readiness for the final two years of high school.”11

But before running a regression analysis to see which independent variables had more explanatory power in determining student success, they divide the schools

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10 *Politics, Markets and America’s Schools*, 140.
11 Ibid., 116.
in their study into four quartiles based on score increases between sophomore and senior year, and then they compare the organizational characteristics of schools in the top quartile with those in the bottom quartile.\textsuperscript{12} Chubb and Moe discuss five general organizational characteristics pervasive among high-achieving schools. The first important characteristic is a collective sense of purpose among the staff tied to academically ambitious goals. Ideally, this collective mission is understood and internalized by teachers rather than just explicitly stated in a mission statement or academic codes—though this is, of course, difficult to measure in a survey.\textsuperscript{13} The second characteristic is the presence of principals motivated to control school curriculum and personnel, an expertise in and dedication to teaching, and a strong academic vision.\textsuperscript{14} The third characteristic is the presence of reliable teachers who share the beliefs and values central to the school’s mission, exhibit professionalism and high levels of collegiality and cooperation with one another, and feel capable of influencing the direction of their school.\textsuperscript{15} Finally, successful schools tend to have a more academic emphasis in terms of the courses in which students enroll (i.e. fewer vocational tracks) as well as classrooms less disrupted by nonacademic demands, such as administrative routines, disciplinary practices (which are fairer and more consistent in effective schools), and standardized grading of homework.\textsuperscript{16}

Chubb and Moe then employ regression analysis to show that these organizational attributes have explanatory power in predicting increased student

\textsuperscript{12} Ibid., 77.
\textsuperscript{13} Ibid., 78-83.
\textsuperscript{14} Ibid., 83-86.
\textsuperscript{15} Ibid., 86-92.
\textsuperscript{16} Ibid., 92-99.
achievement. They attempt to isolate the gains in student achievement by subtracting the sophomore scores from each cohort’s senior year scores two years later. They then use the sophomore scores as a separate independent variable accounting for student ability.  Although student ability had the highest explanatory power in determining increased academic achievement, they found that the aforementioned organizational characteristics, when combined as a single variable, had the second highest, with family background coming in third. For the sake of simplicity, we will call these organizational characteristics that pervade successful schools effective organizations, to denote Chubb and Moe’s assertion of their ability to improve student achievement when implemented collectively.

Having established the importance of effective organizations, Chubb and Moe perform another series of regressions to understand what facilitates schools’ adoption of this set of organizations. Their analysis found that school autonomy, or the degree of freedom from bureaucratic restraints, had the strongest positive impact on the overall quality of school organizations. Just as importantly, they found that direct democratic control—the operation of schools under the authority of elected officials—was the strongest impediment to effective school organization.

But Chubb and Moe both research and explicate their argument in a questionable order. They pursue a comprehensive analysis of the organizational characteristics of successful schools before determining whether school organization has a strong impact on student achievement. Chubb and Moe account for this by

17 Ibid., 117.
18 Ibid., 140.
19 Ibid., 187.
arguing that in practice, *effective* organizational arrangements act as one cohesive unit, meaning that controlling for just the leadership of principals or the clarity of goals would yield no strong significance. Based on prior research, Chubb and Moe intuit that these organizational characteristics would only have a discernible effect when measured together.\(^{20}\)

However, we might interpret this methodology much more cynically. Chubb and Moe could only have known that organizations were important to student achievement after they had performed this exhaustive analysis of successful schools, since all of these characteristics were combined into a single variable for their subsequent regression. Any reader should be critically aware then that Chubb and Moe were expecting—and, after completing such a comprehensive study, undoubtedly hoping—that organizational characteristics would emerge as a very important determinant of student achievement. Indeed, researchers can sometimes manipulate their models to yield desired results in econometric studies.\(^{21}\) This danger is especially acute when nebulous concepts like *organizations, leadership, autonomy, and goals* are critical independent variables and are often combined in arbitrary ways.\(^{22}\)

Indeed, subsequent reviews of their work have raised this suspicion. Anthony Bryk and Valerie Lee, two educational scholars whose work has greatly influenced this project, conclude that Chubb and Moe “made many decisions in defining key concepts and in setting out the analytical models that are not justified theoretically or

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\(^{20}\) Ibid., 121.
\(^{21}\) Leamer, “Let’s Take the Con Out of Econometrics.”
methodologically...the cumulative effect of these decisions is to tilt the evidence in the direction of the authors preconceived beliefs.”

They suggested that Politics, Markets, and America’s Schools should be viewed as a use of data analysis “to buttress a policy argument,” rather than as a disinterested and scientific study.

Given its supposedly dubious methodology, why is Chubb and Moe’s book the subject of this project? I will argue later in this introduction that quantitative analysis is incapable of fully grasping the nuanced ways markets develop institutions, especially because so few examples of mature educational markets exist in the United States from which to draw data. Although Chubb and Moe’s empirical work may be flawed, it is grounded in one of the most compelling theoretical arguments articulated in support of voucher reform. It provides an illuminating theory as to why public schools are failing and how the marketization of our educational system can fix these institutional restraints on academic improvement.

Indeed, their theoretical work alone makes them the force to be reckoned with for anyone hoping to argue that democratically controlled schools are not the problem and marketization not the solution. In addition, their work provides useful criteria for future researchers like myself by which to use to measure the empirical success of their theories.

For this reason, Chapter one will explicate this theoretical perspective and put it into dialogue with some of the most compelling critiques leveled against Chubb and Moe’s argument. However, the purpose of this project is not to assess Chubb and Moe’s theoretical or empirical arguments alone. Instead, it seeks to understand how

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24 Ibid.
25 See Chubb and Moe, Politics, Markets and America’s Schools, 2 “An Institutional Perspective On Schools.”
markets develop educational organizations, and whether schools in a relatively well-regulated voucher system compete in the ways hypothesized by Chubb and Moe, and more importantly, in a way that improves educational outcomes for all.

Qualifications for an Adequate Test Case

I hope I have made clear at this point that assessing the potential benefits of introducing market forces is valuable, and that doing so requires not just a theoretical but also an extensive empirical investigation. However, it is difficult to find adequate empirical evidence for or against Chubb and Moe’s theory for two primary reasons.

First, considerable intellectual murkiness surrounds the ways politicians may or may not have correctly translated Chubb and Moe’s theory into educational policy. It would be fallacious to condemn a theory based on some of its cruder political manifestations, as some have done. In this project I hope to take the opposite approach. I therefore require a test case that for the most part remains true to Chubb and Moe’s initial voucher proposal, so that I can avoid devoting too much time to distinguishing between developments that occurred because of market forces and those that occurred because of the government regulations Chubb and Moe condemn.

The second difficulty is best expressed by a beautifully crafted but by no means revolutionary statement made by prolific economist Joseph Schumpeter, which captures why it is futile to use a slice of data to evaluate the performance of any market. In his magnum opus, Capitalism, Socialism, and Democracy, Schumpeter claims, “The essential point to grasp is that in dealing with capitalism we are dealing with an evolutionary process.” He continues, “Capitalism, then, is by nature a form or
method of economic change and not only never is but never can be stationary.”26

Indeed, Schumpeter’s theory suggests that infusing our school system with markets would not simply increase educational efficiency. Schumpeter argues that over time, a market “incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one.”27 In his view, the benefits of markets are extraordinary and often unimaginable, but come only with time and significant short-term costs. Indeed, although Schumpeter was not necessarily thinking about educational goods, his analysis of capitalism is among the most sophisticated ever articulated. It is only at our own peril, therefore, that we ignore his warnings about the dynamic characteristic of markets.

But if one heeds Schumpeter’s advice that the benefits of any market-based system come in the long term—as the structures of organizations are constantly revolutionized—it becomes very difficult to find natural laboratories in which to assess the durability of Chubb and Moe’s hypothesis. Some studies examine the existing differences between public and private schools to assess whether private schools are more likely to provide higher quality education. However, private schools today operate in a far from developed market, forced to compete with public schools that have a virtual monopoly over educational goods by attracting consumers with much lower prices. The private school population therefore comprises a small percentage of the American student body. With such a limited and relatively static market, it would be unproductive to use the condition of private schools today to predict how a freer educational market might develop in the future. Studying even the

26 Schumpeter, Capitalism, Socialism, and Democracy, 82.
27 Ibid.
most widespread charter-school movements would also be unhelpful because the level of government regulations and intervention in these systems is much higher than what Chubb and Moe recommended.

Other studies have analyzed the few voucher programs that have been implemented in the United States. However, using these case studies is problematic for two reasons. First, while Chubb and Moe envision a system where all students would have educational vouchers, these programs award vouchers to students based on means testing, which ensures that only those most in need will benefit from any voucher scheme.\(^{28}\) Although this social concern is reasonable, studying a limited voucher system precludes us from being able to totally grasp the consequences of a ubiquitous educational market. Second, these voucher experiments are relatively limited in their total funding and length of operation. As a result, these voucher programs are not widespread enough to incentivize the creation of new private schools, and they therefore may not engender the major entrepreneurial consequences of a market-based educational reform.\(^{29}\)

To gain a clearer understanding of the dynamics of a market-based education system, I decided to examine a country that not only had a universal, developed, and active school voucher system, but also was politically capable of adequately regulating and directing educational markets so that academic improvements would be equally dispersed across the socioeconomic spectrum.


\(^{29}\) Ibid., 217.
Swedish: The Technocratic-Egalitarian Voucher Model

Over the past two decades, Sweden has implemented the most comprehensive reform of school financing ever witnessed and has transformed from one of the most centralized education systems in the world to one of the most decentralized. Municipalities give students vouchers to pay for any school—public or private—they choose to attend. While schools are prohibited from charging more than the voucher price, Sweden makes it easier than any country to establish an independent school, leading to a fast-growing supply of autonomous, universally available independent schools free to make a profit (though many are still non-profit organizations). Today, one-third of the upper secondary schools in the nation are independent.

In their comprehensive 2005 analysis of Sweden’s educational policies, Anders Bjöklund et al. argue that, “Sweden can provide a laboratory for studying the impact of dramatic, market-oriented reforms in education.” Indeed, Sweden is renowned for its ability to reconcile the productive forces of the market with equitable social goals, evidenced by its high GDP growth in recent years and its equitable wealth distribution. If it cannot utilize markets to improve educational outcomes without sacrificing egalitarian goals, it is unlikely that any country can.

But before discussing how exactly we can use Sweden as a test case for Chubb

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30 Sandström and Bergström, School Vouchers in Practice: Competition Won’t Hurt You! 1.
32 Ibid., 24.
33 Björklund et al., The Market Comes to Education in Sweden: An Evaluation of Sweden’s Surprising School Reforms, 9.
34 “Field Listing: Distribution of family income - Gini index.”; OECD, “GDP - Gross Domestic Product.”
and Moe’s theory and the market approach to education at large, it would be helpful to describe how Sweden transformed from a centralized publicly administered school system to a decentralized voucher system.

Prior to 1992 private schools accounted for less than one percent of the total student enrollment in Sweden. Throughout the twentieth century there had been a deep faith in the highly centralized public school system, and the national Ministry of Education financed schools with targeted grants, which specified exactly how national funds were to be used in schools. A certain amount was allocated for teachers, infrastructure, textbooks, and so forth. This was an important mechanism of control, since the Ministry could strongly influence the priorities of schools by manipulating the allocation of funding.

In the 1970’s, as the economy began to sputter and Sweden’s deficits increased, people’s faith in the efficiency of public institutions began to wither. The Ministry of Education acknowledged in 1974 that the renewal of the school system would have to come from school-based reform, rather than increased funding or regulation from the central government. In an effort to spur innovation from within, the Ministry began to issue block grants to municipalities that not specify how funds had to be spent. Over the next two decades, municipalities enjoyed increased freedom from national interference, and by the end of the 1980s they were even ceded

37 Telhaug, Mediås, and Aasen, “From Collectivism to Individualism? Education as Nation Building in a Scandinavian Perspective,” 148-149.
responsibility over school personnel. School staff members became municipal rather than national employees.  

The deteriorating economic conditions of the 1990s kept the public’s thirst for further decentralization alive. In 1991, the conservative government took power, promising a “choice revolution.” They immediately implemented a universal voucher scheme allowing for the creation of independent schools that would receive municipal funding for each student they enrolled. Initially, almost all applications to establish privately managed schools, called independent schools, were approved; a school could only be rejected if it did not appear to have a long-term stable business plan or if its establishment would adversely affect the surrounding municipal school system. Though local schools could express opinions, they had no power to prevent the founding of schools in their municipalities.

The next year, all targeted grants were replaced by general lump-sum grants determined by the number of students enrolled at municipal schools, giving municipalities much more flexibility in resource allocation to better compete with

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40 Ahnborg, The Inspectorate of Educational Inspection of Sweden, 20.  
41 Carnoy, “National Voucher Plans in Chile and Sweden: Did Privatization Reforms Make for Better Education?,” 331; Sandström and Bergström, School Vouchers in Practice: Competition Won’t Hurt You! 8.
independent schools and prepare students to reach national educational goals.\textsuperscript{42} Indeed, the primary remnant of the centralized school system of the past was a comprehensive national curriculum, which rigidly outlines which courses students must take in each specialization (Swedish upper-secondary schools offer seventeen specializations, including the natural sciences, social sciences, and a range of vocational programs).\textsuperscript{43} However, the national government purposefully sets broad objectives for each subject that teachers can fulfill in various ways while retaining most of their professional autonomy. The government measures compliance with these broad educational objectives through a comprehensive national assessment system.\textsuperscript{44}

To help schools adapt to local economic, demographic, and curricular needs, municipalities were given control over the setting of teacher salaries in 1996.\textsuperscript{45} Finally, beginning in 1998, municipalities were granted the freedom to allocate teachers’ working hours as they saw best.\textsuperscript{46} This enhanced freedom of local institutions to implement educational change carved out a new role for the central government, which consisted of setting broad and clear national curricular objectives for local governments, schools, and teachers to fulfill in ways they saw most fitting.\textsuperscript{47}

\textsuperscript{42} Ahlin and Mörk, “Effects of decentralization on school resources,” 7.
\textsuperscript{44} Telhaug, Mediås, and Aasen, “From Collectivism to Individualism? Education as Nation Building in a Scandinavian Perspective,” 153.
\textsuperscript{45} Ahlin and Mörk, “Effects of decentralization on school resources,” 3.
\textsuperscript{47} Telhaug, Mediås, and Aasen, “From Collectivism to Individualism? Education as Nation Building in a Scandinavian Perspective,” 152.
In 1998, however, the Social Democrats regained control of parliament, and reversed the general trend of decentralization. They sought to use the recovering economy to enhance the state’s ability to alleviate many of the negative social effects that had emerged as a result of the voucher system, such as an increased achievement gap and greater stress levels among teachers. Beginning in 2001, the government addressed these two issues by allocating considerable funds to programs that increased the number of teachers and improved schools for socioeconomically disadvantaged students. The government also tried to enhance its regulatory strength by dividing the National Agency of Education (NAE) into two agencies—one of the same name, which was responsible for educational inspection and the Swedish National Agency for School Improvement, which was created to help support and develop schools. The reformed NAE was required to inspect, evaluate, and follow up with all Swedish municipalities and schools (both municipal and independent) by 2009. These inspections consisted of gathering preparatory data and surveys, performing two-day site visits that involved meeting with staff and sitting in on classes, giving oral feedback to head teachers, and ultimately publishing a report that highlighted where action needed to be taken to fix shortcomings. A report was then required from schools within three months. If schools were unable to meet these requirements, the inspectorate had the power to withdraw their approval.

49 Ibid.
50 Hudson, “Governing the Governance of Education: the state strikes back?,” 276.
51 Ahnborg, The Inspectorate of Educational Inspection of Sweden, 6.
and funding.\textsuperscript{52} Indeed, in the past decade, the Swedish government has played an increasing role in supporting, regulating, and measuring the performance of Swedish schools.\textsuperscript{53}

Despite these increased regulations, the number of independent schools continues to grow. Today, more than 800 independent schools, including 560 compulsory schools and 240 upper-secondary schools, enroll 10\% of all students and 13\% of upper-secondary students in Sweden. In urban areas, this percentage is even higher; 33\% of the students in Stockholm attend an independent school.\textsuperscript{54} This burgeoning new sector has forced Swedish authorities to be hold higher standards for accepting applications to found a school. In 2008, of the 635 applications the government received to establish independent schools, only 268 were approved.\textsuperscript{55}

\textit{A Near Resemblance: A Brief Discussion of Sweden’s Viability as a Test Case}

To sum up, Sweden’s experiment with a voucher system exemplifies both openness to a dynamic educational market and a continual technocratic effort, especially in the past decade, to regulate and support schools, and to mitigate the detrimental effects of markets on low-income students and school staff. In fact, the

\textsuperscript{52} Ibid., 6-20.
\textsuperscript{53} Hudson, “Governing the Governance of Education: the state strikes back?,” 273. Although even this cursory investigation emphasizes that in Sweden, vouchers were not a \textit{panacea}, as Chubb and Moe claim, the purpose of this study is not purely to asses how Chubb and Moe’s exact voucher model will look in practice, but rather to see if an initial model like theirs, with proper regulations in response to observable outcomes, can be beneficial to schools.
\textsuperscript{54} Bunar, “The Free Schools “Riddle”: Between traditional social democratic, neo-liberal and multicultural tenets,” 426.
\textsuperscript{55} Official at the national Ministry of Education, “Interview #13.”
school choice regime in Sweden is actually quite similar to the proposal with which Chubb and Moe conclude *Politics, Markets, and America’s Schools*. Just as Chubb and Moe recommend, the Swedish government designates all students as voucher recipients; allows municipalities to run preexisting public schools, decide upon voucher sizes, and vary sizes based on student need; prohibits schools from charging more than a given educational voucher; and supports the dispersal of decision-making information.

Nevertheless, the Swedish government intervenes in the education system in ways that Chubb and Moe would not support. For one, the state is now more selective in granting schools the right to receive public funds than Chubb and Moe—who want only graduation, health and safety, and teacher certification requirements—would recommend. As previously discussed, an application to establish a school in Sweden can be rejected if municipalities think it will harm preexisting local schools or has an unsustainable business model.

Second, schools in Sweden are required to conform to a national curriculum, which clearly spells out the courses students of all specializations need to take (although each course has only broad objectives outlined by the government, leaving the specific content to the discretion of the school or teacher). In opposition to Chubb and Moe’s proposal, these regulations may infringe upon the ability of a school’s leaders to organize as they see best around a particular curriculum.\(^{56}\)

Third, while Chubb and Moe advise schools to be subject to nondiscrimination laws only when accepting or rejecting students, the Swedish

\(^{56}\) Ibid.
government limits schools’ discretion considerably in the admissions process. Preschools and compulsory schools are forced to admit students on a first-come first-serve basis, and may give preference only to students whose siblings are currently enrolled. Upper-secondary schools admit students based only on final grades, though schools can decide how many students they want to enroll each year.

Finally, while they allow for the existence of unions, Chubb and Moe implore governments to change the legally prescribed bargaining unit to the school. This way, if teachers at a particular school want increased benefits, their demands will be moderated by the knowledge that their institution’s competitiveness may diminish. In Sweden, unions bargain on the national level, and as a result have enjoyed increased worker protections and rules for how teachers must be compensated, both of which can restrict the ability of school leaders to build a cohesive and harmonious staff.

Although some of these divergences are significant, one must also keep in mind that it is unreasonable for any proposed policy to be carried through to perfection, especially given the turbulent nature of the American political process. If any school reform or legislative proposal is not robust enough to be effective even when implemented or crafted imperfectly, then it is probably not worth attempting. Thus, while the aim of this project is to understand the consequences of school privatization in its most promising form, minor deviations from Chubb and Moe’s design in all policy manifestations are unavoidable, and therefore should not diminish the value of this case study. Moreover, since Chubb and Moe did not have the luxury

57 Ibid., 223.
58 Ibid., 221.
of adjusting their proposal after observing its consequences, it is possible that these deviations could culminate in a more efficacious or politically feasible voucher model. Indeed, there is more value in utilizing Chubb and Moe’s framework to evaluate the overall merit of market-based reforms than simply assessing whether their exact proposal would be beneficial to our schools.

In this vein, the rest of this project will assess which transformations in Swedish education have resulted from the market forces Chubb and Moe describe and which stem from the regulation or intervention that Chubb and Moe specifically proscribe, while taking into account that there is not necessarily a clear dichotomy between “effective” regulations Chubb and Moe offer and “ineffective” regulations Sweden imposes. Understanding this nuance is critical to our effective use of Sweden as a test case for the market-based educational movement as a whole.

One could describe the complex relationship between regulations and market competition as a kind of dialectic: any study hoping to understand the forces at work must look beyond a purely quantitative perspective of how various inputs produce certain outputs. This, in part, is due to the fact that the overall literature has been fairly ambivalent as to whether Swedish reforms have been successful. On average, school choice reform in Sweden does not seem to have had a profoundly positive or negative impact on costs or student achievement. Moreover, educational quality is too nebulous and subjective a concept to be adequately captured by a single variable. Many quantitative studies use student grades, standardized test scores, Swedish SAT

59 Ibid., 224.
scores, and other indicators of educational quality, all of which lack the nuance that is necessary to discuss educational quality in a meaningful way.

For these two reasons, this project will attempt a more qualitative analysis based on a series of interviews with teachers, students, principals, politicians, and other educational leaders in the Stockholm region, with the purpose of better understanding the intricate relationship between regulations, markets, and educational quality. Indeed, Nihad Bunar, one of most prolific scholars of Sweden’s privatization reforms, has recently come to a similar conclusion. In the 2010 issue of *The Journal of Education Policy*, he argues that it is absolutely essential for future studies on Swedish education to,

“…redirect the analytical gaze to the level of local educational markets, in city districts, or even at the neighborhood level and study how different local actors position themselves in relation to the possibilities and obstacles freedom of choice entails. How do principals and teachers understand the competition, identify the competitors, and what strategies do they deploy to manage the competition from neighboring schools? What are the economical and pedagogical consequences of these strategies? How do parents and students understand their neighborhoods and schools, why do they choose to stay or opt out and what are the effects for other children in the neighborhood?”

My project will address this need to understand the effects of markets on a local, institutional, and qualitative level. However, before diving into Sweden as a test case, it is necessary to understand both Chubb and Moe’s theory of how markets can transform schools, and the critiques and alternative proposals submitted by scholars of the school choice movement. This will inform how our investigation of Sweden can most usefully contribute to the ongoing debate about the desirability and transformative capacities of school choice.

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1. Can Market Forces Improve our Schools? A Review of the Literature

In the spring of 2001, with uncommonly broad approval in both the House and Senate, Congress passed one of the most comprehensive pieces of national education reform in United States history. Yet ten years later, support for this piece of legislation, the No Child Left Behind Act (NCLB) is hard to come by among educational scholars across the political spectrum: conservatives, liberals, libertarians, and even some of NCLB’s most fervent supporters have now lost faith, not just in the utility of the legislation, but in the entire standards-based reform movement it represented.

Although NCLB attempted to provide schools and states with both positive and negative reinforcement to ensure all educational actors would strive towards increased quality, it unintentionally produced a set of perverse incentives that encouraged destructive behavior at almost every level of governance. For example, to maintain some degree of decentralization, NCLB required states to create and implement standardized tests to track school progress, and called for the removal of funding or closure for continually low-performing schools. But in an effort to improve perceived progress, states artificially inflated their scores by lowering their educational standards and watering down standardized tests. NCLB also measured school performance not just by test scores as a whole, but also by scores within each racial and ethnic demographic in an effort to close the achievement gap. However, this too only incentivized schools to attract and retain as few ethnic groups as possible, since each school was accountable for the scores of each demographic.
Perhaps most destructively, the high-stakes tests transformed the roles of school staff. Principal and author George Wood describes how the augmented importance of standardized tests relegated teachers to reciting scripted curriculums, privately manufactured for the sole purpose of improving standardized test scores without regard for the overall quality of the content being taught. Principals resorted to any means necessary to raise scores, even at the cost of learning. Otherwise, they risked losing funding, school closure, and the prospect of job loss.

Though the detrimental effects of the NCLB took most of the educational and political community by surprise, the logistical impossibility for Congress or the Department of Education to successfully manage U.S. schools was predicted by Chubb and Moe, and can serve as a perfect test case for the institutional flaws of centralized, democratically controlled schools they condemn. This chapter will explicate Chubb and Moe’s line of argument, in addition to their theoretical case for a voucher system and the most compelling critiques of their logic. Beyond constructing a theoretical framework through which to analyze Sweden as a case study, this chapter will also explain how there is presently no consensus as to whether it is worthwhile to pursue school choice as a method of educational reform, and why it is therefore valuable from an academic and policy perspective to pursue further research into school choice regimes.

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1.1 The Case Against Democratically Controlled Schools

At the core of Chubb and Moe’s framework is the argument that democratic control over education is the primary impediment to raising levels of academic achievement in schools. By democratic control, they mean that administrators, ranging from the Secretary of Education to local school boards, are elected (or appointed by elected officials) and granted coercive authority over their educational domain, even over those who did not vote for them.\(^6\) Because they have such large jurisdictions of power (ranging in size from hundreds of classrooms to thousands of schools), temporary appointments, and continually face the threat of noncompliant faculty who may disagree with their policy prescriptions, these officials have an incentive to create dense and rigid networks of regulations and laws that prevent subordinate actors or future elected opponents from subverting their goals.\(^6\)

For example, a very religious school board hoping to teach creationism and evolution side by side could not rely upon the willful acquiescence of a heterogeneous mix of teachers and principals. Instead, it would formalize the prescriptions for what must be taught, how compliance is measured, and the punishments for disobedience. Indeed, according to Chubb and Moe, democratic control engenders a rigid bureaucracy precisely for the purpose of limiting the freedom of teachers, principals, and administrators to deviate from centrally imposed values, curricula, methods of teaching, or forms of assessment.\(^6\)

\(^6\) Chubb and Moe, *Politics, Markets and America’s Schools*, 28-29.
\(^6\) Ibid., 42-43.
\(^6\) Ibid., 41.
Paradoxically, according to Chubb and Moe, the actions of teachers’ unions and politicians, two political bodies that claim to be invested in student learning and the dignity of educators, actually tend to diminish the influence of teachers, their relationship with other faculty, and student achievement. Chubb and Moe describe how unions often fight to limit the autonomy of principals as a shortsighted means of enhancing their relative power. Their goal is to prevent principals from hiring, firing or paying teachers based on personal preferences or biases.\(^65\) Chubb and Moe contend that this precludes principals from being able to bring together a harmonious staff whose educational values and organizational goals align. As a result, faculty members become less cohesive and trusting of one another, and principals more inclined to further limit the freedom of teachers, since many of them may be kept in school simply because the principal is unable to fire them.\(^66\)

Politicians may have an equally detrimental effect on student learning and on the professional autonomy of teachers. Chubb and Moe argue politicians demand more control over struggling schools in the hopes of proactively improving academic results. However, this increased political power over schools also requires strong bureaucratic regulations to ensure that whatever reforms politicians decide upon are implemented at the school and classroom level. In this way, democratic authority attempts to resolve educational problems that to Chubb and Moe stem from limited freedom, by further limiting the freedom of schools and teachers.\(^67\) They argue that this is particularly detrimental in already struggling schools, which require precisely

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\(^{65}\) Ibid., 50.
\(^{66}\) Ibid.
\(^{67}\) Ibid., 64.
the opposite organizational characteristic for improvement: clear missions, enhanced teacher professionalism, better leadership, and less bureaucratic classrooms. As a result, those students who are already suffering from a poor education are also the most hurt by the effects of increased government intervention.

Failing schools are therefore stuck in a feedback loop, in which politicians impose bureaucratic solutions and oversight to increase their control and unions advocate for protection against principals and administrators, both resulting in further restriction of teacher independence and inevitably the incitement of mistrust and conflict. This can exacerbate academic failure and spark further union or political intervention.

Indeed, Chubb and Moe regard democratic control as inherently conflict-based. Different political and educational actors—teachers, unions, principals, superintendents, school boards, local politicians, state politicians, and national politicians—all fight to increase their individual control over educational policies while weakening the power of other actors. This turf war generates strict regulations, which disproportionally limit the authority of teachers and principals, the autonomy of whom, they argue, is critical to enhancing student achievement. Indeed, as politicians and school boards implement more reforms, principals are relegated to the status of lower level managers with limited administrative responsibilities, and

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68 Ibid.
69 Ibid., 28-29.
70 Ibid., 23.
teachers are often forced to regurgitate externally imposed lesson plans to achieve externally established (and politically influenced) academic standards.\textsuperscript{71}

Chubb and Moe argue that the institutional design of public schools transforms even the most well crafted reforms into unproductive restrictions on teacher and principal independence. Although any reform demands accountability to ensure that schools increase academic proficiency, Chubb and Moe believe that such bureaucratic efforts are inextricably interwoven with diminished teacher and principal independence and a pertinacious bureaucracy. If one buys into the argument that achieving Chubb and Moe’s effective organizations is at least part of the recipe for quality schools, the autonomy-stifling consequences of democratic authority seriously undermines almost any attempt at reform.

1.2 Step One: Do Markets Promote Effective School Organizations?

1.21 Market-Produced Organizations: Autonomy, Efficacy and Efficiency

Due to the aforementioned failures of democratically controlled schools, Chubb and Moe propose a market solution to promote student achievement without sacrificing principal and teacher autonomy. They propose a choice-based education reform agenda in which the government subsidizes families who want to send their children to alternate public or private schools, so long as the schools meet an agreed-upon academic standard. Funding would be dispensed to schools based on the number of students they enrolled annually; losing students would therefore be synonymous with decreased revenue. Because private schools would now be dramatically cheaper

\textsuperscript{71} Ibid., 54-56.
for families, students dissatisfied with the quality of public schools would face fewer financial impediments to transferring. This influx in the demand for private schools could allow them to expand dramatically. Furthermore, in order to retain their educational funding, local governments will be compelled to improve the public schools that now face increased competition. Local politicians would likely do this by mimicking the successful organizational characteristics of private schools, which requires increased autonomy for schools and principals.

But why would private ownership result in increased school autonomy and effective organizations? Chubb and Moe argue that the essential distinction between private schools and public schools is the diffusion of authority. Unlike their counterparts in the public school system, power-holders in private schools have property rights over their institutions and therefore do not need to create formalized bureaucracies to ensure the implementation of policies.\(^2\) Since these owners could always hire staff they trust with similar goals and philosophies, they would feel comfortable granting them greater discretion. Moreover, Chubb and Moe argue that there will be no incentive for centralization, since “education is based on personal relationships and interactions, on continual feedback, and on the knowledge, skills, and experiences of teachers,” to which centralized administrations have very little to contribute.\(^3\)

Either way, principals are likely to be granted high levels of autonomy to hire, fire, and pay teachers based on intangible but relevant characteristics (such as being a team player or having shared values), creating over time a harmonious and trusting

\(^2\) Ibid., 44.
\(^3\) Ibid., 36.
staff pursuing a shared educational mission.\textsuperscript{74} This mechanism of weeding out ineffective or discordant faculty and incentivizing collegiality and teacher productivity would cultivate an environment of high standards and respect, allowing teacher autonomy to flourish.

Over time, Chubb and Moe contend that the natural selection engendered by the educational market will ensure that all successful schools adopt their effective organizations in time. They argue that because,

“Schools controlled only by the market are free to organize any way they want, then, an environment of competition and choice gives them strong incentives to move toward the kinds of ‘effective-school’ organizations that academics and reformers would like to impose on the public schools. Of course, not all schools in the market will respond equally well to these incentives. But those that falter will find it more difficult to attract support and they will tend to be weeded out in favor of schools that are better organized.”\textsuperscript{75}

For example, they contend that schools will develop clear and well-defined academic missions in an attempt to reach specialized niches and differentiate themselves from other schools in the hopes of appealing to particular educational constituencies.\textsuperscript{76}

Even Henry Levin, director of the National Center for the Study of Privatization in Education and frequent critic of Chubb and Moe, expands on their argument that markets could engender more pedagogically specialized schools. He discusses how public schools currently bear the costs of catering to the needs of a diverse set of students. But in a market system, private schools would have an incentive to specialize, developing unique academic and pedagogical approaches in order to attract students with similar needs and capitalize on the economic benefits of

\textsuperscript{74} Ibid., 51-53.
\textsuperscript{75} Ibid., 190.
\textsuperscript{76} Ibid., 55.
having a pedagogically homogeneous clientele. This too will allow schools to develop a clearer mission.

Indeed, according to Chubb and Moe, the privatization of education will engender decentralized authority and cultivate the effective organizations they previously described through a process of natural selection. Many have criticized this half of Chubb and Moe’s narrative. Critics can be divided into two categories: those who think markets will not promote effective organizations, and those who contend that the organizations Chubb and Moe label effective are actually not ideal for improving achievement, particularly for students of a low socioeconomic status.

1.22 Markets do not Beget Autonomy: A Different Institutional Narrative

In the past twenty years, several prominent education reform experts have challenged Chubb and Moe’s argument that institutional autonomy and market incentives engender effective school organization. In the book All Else Equal, Luis Benveniste, Martin Carnoy, and Richard Rothstein investigate sixteen compulsory schools (usually considered kindergarten through eighth grade) on the West Coast, visiting classrooms and interviewing faculty, parents, and students to assess the institutional differences between public and private schools. They find that Chubb and Moe’s public-private dichotomy with respect to school organization does not exist in reality. Diminished teacher autonomy, they argue, stems from a general lack of training and skill among teachers, rather than democratic authority. More

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77 Levin, “The Economics of Educational Choice,” 151.
78 Benveiniste, Carnoy, and Rothstein, All Else Equal: Are Public and Private Schools Different? 175.
fundamentally, private schools still suffer from bureaucratic and legal impediments to firing incompetent employees, little agreement among staff over which school objectives should be prioritized (such as academics, discipline, moral habits, faith, etc.), and the devaluation of academic goals in favor of other means of attracting students.\textsuperscript{79} Indeed, they argue that the main determinant of school organization is not private or democratic control, but rather the socioeconomic circumstances of enrolled students.\textsuperscript{80}

Other scholars contend that school privatization can restrict teachers in unexpected ways, counteracting their increased autonomy in other aspects of school life. In his analysis of the Milwaukee school voucher program, John Witte stresses the benefits of small classes and increased autonomy for employees, which were facilitated by the voucher experiment. However, he also observes that teachers were hindered by the turbulence from the constant influx of new students (as a result of increased transferring) and the changes in administrative leadership, as well as lower pay, fewer resources, and shortened lesson time (as a result of longer bus routes to school). All of these problems were endemic to privately managed schools.\textsuperscript{81}

Geoff Whitty, director of the Institute of Education at the University of London, also documents the ways in which enhanced workloads in private schools could diminish teacher professionalism. He collected evidence from around the world to show how privately managed schools, whether through vouchers or alternative mechanisms, often not only decrease teacher autonomy, but also diminish the quality

\textsuperscript{79} Ibid., 109, 145-147.
\textsuperscript{80} Ibid., xiv.
\textsuperscript{81} Witte, \textit{The Market Approach to Education: An Analysis of America’s First Voucher Program}, 98.
of teaching. He explains that as a result of such reforms teachers “face increased workloads, attempts to use them more flexibly to counter the effects of budget restrictions, divisive approaches to performance-related pay, and the substitution of full-time, permanent, qualified, and experienced staff by part-time, temporary, less qualified less experienced, and, therefore, less expensive alternatives.” Moreover, he finds that privatization reforms also worsened relationships among staff. In private schools, principals began to act more like middle managers in a firm rather than inspirational leaders. Head-teachers, who had previously united with teachers against a distant bureaucratic enemy, became more managerial as a result of the reforms, treating teachers as workers rather than collaborators; this lowered teacher morale and increased their workload. Teachers were not the only ones to suffer; principals in privately managed schools felt that, as a result of reforms, administrative matters—rather than issues related to student learning—dominated staff meetings.

These examples show that while private schools had the freedom to organize around diverse academic goals and to allow for increased teacher and principal authority, they often did not implement these organizational reforms. To some degree, these findings contest Chubb and Moe’s argument that school autonomy necessarily engenders effective organizations. But it must be noted that Chubb and Moe acknowledge that these organizations would arise imperfectly and only as the result of market-promoted natural selection. It is possible that the schools discussed were

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82 Whitty uses the term self-managed, but it has the same basic meaning: the schools are not subject to external regulations to the same degree as public schools.


85 Arnott, Bullock, & Thoma (1992) in Ibid., 22.
simply not exposed to sufficiently mature markets. My study of Sweden will therefore attempt to elucidate why school autonomy does not always translate into teacher autonomy, academic missions, and staff harmony, and discuss whether these consequences are endemic to developed markets, or simply a transitory result of the limited educational markets studied.

1.23 Promoting the Wrong Organizations: Evidence from Catholic Schools and Recent Success Stories

The other major criticism contends that many of the organizational characteristics Chubb and Moe endorse are not necessarily conducive to academic achievement. In *Catholic Schools and the Common Good*, Anthony Bryk, Valerie Lee, and Peter Holland challenge Chubb and Moe’s assumption that teacher autonomy is inherently desirable. Their book seeks to answer whether the success of Catholic schools, which Chubb and Moe often use as positive examples of effective organizations, is due purely to market forces. Through an in-depth look at Catholic schools, they conclude that the organizational characteristics engendered by the private authority structure cultivated a positive learning environment only because they were complemented by an enduring moral vision.\(^{86}\)

Bryk et al. argue that this moral vision pervading the Catholic schools Chubb and Moe describe relates to teachers and staff in two primary ways: through *Christian Personalism* and *subsidiarity*. Christian Personalism stresses humanness in the myriad of mundane social interactions each day, defining an “extended role for

\(^{86}\) Bryk, Lee, and Holland, *Catholic Schools and the Common Good*, 321.
teachers that encourages staff to care about both the kind of people students become as well as facts, skills, and knowledge they acquire…. modeled by teachers and held out as an ideal for students.” 87 Subsidiarity requires that “instrumental considerations about work and efficiency and specialization…be mediated by a concern for human dignity.” 88 Bryk et al. argue that Catholic school faculty members, motivated by these values, share a commitment to advancing social justice and are driven to use their enhanced autonomy and participatory powers for these ends. For example, teachers seek out broader roles for themselves (frequently getting involved in students’ personal lives) in an attempt to instill both intellect and conscience in their students. 89 Without this corresponding moral vision, Bryk et al. are skeptical that increased faculty autonomy and participation could benefit students and learning. 90

While Chubb and Moe assume that more independence and self-governance for teachers is desirable so long as there is an autonomous principal and responsive market to hold these professionals accountable, Bryk et al. express a deep skepticism of market-enabled teacher autonomy in the absence of a shared commitment to social justice. For them, these shared and pervasive norms operate as a primary accountability mechanism, ensuring that teachers use their enhanced authority for the intellectual and moral development of students. As evidence of the need for such an accountability system in privately organized schools, Bryk et al. find that while non-Catholic schools serving urban youth exemplify the institutional characteristics Chubb and Moe recommend, they do not share the unusual levels of success and low

87 Ibid., 301.
88 Ibid.
89 Ibid., 142.
90 Ibid., 310-311.
drop-out rates of Catholic high schools. Indeed, their analysis suggests that market-driven autonomy for teachers may not be as much of a panacea as Chubb and Moe postulate, especially in poor neighborhoods where parents are less able to hold schools and teachers accountable. In these cases, they believe Catholic values are particularly useful for reaching out to students.

However, Bryk et al.’s analysis raises an important question. Are Catholic values the only way to mobilize an enthusiastic and dedicated staff around a “morally infused” educational mission? In the decades following the publishing of Catholic Schools and the Common Good, and Chubb and Moe’s competing account of effective school organizations, substantial agreement has emerged that the Catholic mission is just one of among many ways of promoting organizations that unify staff around an inspirational pedagogical mission in the pursuit of improved academic performance for underserved students. One influential report, conducted by the Harvard Achievement Gap Initiative in 2009, attempts to determine how high schools serving low-income students can become exemplary. Through extensive case studies, the report chronicles the experience of high schools that are either newly founded successes or have seen dramatic improvements in scores throughout the school or in particular departments.

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91 Ibid., 312.
92 Ibid., 327.
93 The phrase “morally infused” will be used throughout this project to mean any kind of educational mission that motivates teachers by appealing to broader incentives of achieving greater societal objectives, rather than the private incentive of staff.
The report concludes that many of Chubb and Moe’s “effective” characteristics are in fact all critical for enhancing educational achievement. However, just like Bryk, Lee, and Holland, it stresses that a deeper educational vision is necessary for organizational transformations to occur, though in the cases documented such missions were not religious. At each successful school the report examines, the leaders “shared convictions—often expressed as moral convictions—that they had a collective responsibility to improve…prior to proposing recipes for success.”95 Indeed, the deep moral convictions of school leaders were critical to building the trust in their motives, reliability, and competence necessary to mobilize teacher support.96 Teacher commitment is critical because all successful schools placed greater demands on teachers, asking them to leave their comfort zones and to make their teaching, grading, and disciplinary methods consistent with a school’s mission and one another.97 Noncompliance would therefore unravel a cohesive and carefully structured pedagogy. However, these schools do not rely on the convictions of teachers alone to achieve positive results. Instead, school leaders provide strong support, professional development, and monitoring to help teachers adopt harmonious teaching methods and pedagogical values.98

Consider one of the most exemplary of their featured successes, Brockton High School, whose miraculous turn-around despite its gargantuan size and high-need students made national headlines in the fall of 2010. The school’s accomplishments are often traced to its strong emphasis on writing. Each teacher, whether leading

95 Ibid., 15.
96 Ibid., 23-24.
97 Ibid., 22-24.
98 Ibid., 27-30.
math, science, or even physical education classes, was not only forced to teach writing, but also had to use a school-wide rubric for grading.\footnote{Ibid., 19-20.} Such a drastic pedagogical transformation required not just infringing upon teachers’ regular professional practices through close supervision and accountability, but also, as the school principal noted, a changed school culture grounded in the belief that “every student can and must learn and our responsibility is to figure out how. We are always looking in the mirror.”\footnote{Ibid., 68.} But to make these demanding requirements was immensely difficult. One administrator reflected, “It was a battle, and a lot of the conversations were not fun, and made your stomach turn. But you just had to plow ahead because you knew it was good for the kids and not for the convenience of the teachers.”\footnote{Ibid., 74.} Without the motivational and persuasive power of a deep and shared moral conviction, leaders would have had neither the drive nor the authority to implement such a sweeping school culture at all levels of school governance.

William Ouchi, professor of business management at Stanford University, offers a theoretical framework for understanding these types of organizations. He begins by discussing two broad categories of organizations in which transactions of any sort can occur: markets and bureaucracies. The relative efficiency of these two organizations is depends upon the transaction costs involved in pricing goods and ensuring quality. Markets are efficient organizations when agents have incongruent preferences and transaction costs are low due to the easily ascertainable value of products. For example, if I want to sell lemonade by the road, I have very few
overlapping preferences with my consumers—I care little for their satisfaction so long as they keep buying my lemonade, and since I am not a cute four year-old child, they just want lemonade without particular regard for mine—and it is also easy for us to enter into agreement on a fair price, since roadside lemonade has few ingredients and thus an unambiguous cost of production. It is therefore most efficient to sell my lemonade via the market: directly to consumers at a price that we both find equitable and utility enhancing.

However, if I were instead to sell my ability to help collaboratively build a computer game, it would be more difficult to ascertain a fair price for the exact amount of value I add to the construction of the game, and everyone involved (including my clients and coworkers) may have some overlapping desire to construct a great videogame. In this scenario, the costs of writing contracts for each contribution I make would be prohibitively high. However, since I am intrinsically invested in the outcome of the game, the company can instead sign me to a long-term contract, according to which they will pay me a salary. The costs of bureaucratically monitoring my effort will be cheaper than negotiating the cost of each new contract in a market, especially since I am relatively invested in the outcome of the game. Thus, in these scenarios of relative value congruence and difficult-to-measure performance, bureaucracies are more efficient.

In his influential article “Markets, Bureaucracies, and Clans,” William Ouchi discusses how in bureaucracies, it is imperative that performance or quality evaluation is not so ambiguous that employees and employers cannot agree upon compensation, and therefore employees view their treatment as inequitable. In these
circumstances, workers will fight for protection against unfair practices and increase transaction costs. Schools are perfect examples of bureaucratic organizations that at times suffer from workers producing a good of uncertain value, resulting in frequent disagreements and union interventions. While all staff may pursue the broad goal of adequately educating students, teachers and administrators may disagree as to how to reach this end. Although organizations cannot decrease the difficulty of measuring performance and quality, they can take an alternate but similarly effective approach: enhancing the congruence between parties. This third category of organizations, called clans, successfully decreases transaction costs by either hiring only those with strong overlapping values or “indoctrinating” employees so that they internalize the values of the organization, negating the need for diligent evaluation and expensive worker protection even when performance is difficult to measure.

Clan-like organizations, which arguably encompass the schools described above, are “highly stable, disciplined organizations characterized by common values... decision making may often reflect neither bureaucratic rules nor individual self-interest but shared traditions and values.” However, personnel policies that instigate clan-like organizations are very expensive, since they often involve periods of indoctrination and apprenticeship. In the case of Brockton High School, the

103 Ibid., 135.
104 Though this term is often associated with cults or other destructive types of organizations, the word “indoctrinating” is often invoked to describe clan-like organizations. It is meant to emphasize the resources invested in compelling staff to internalize the mission of the organization, so that the incentive to fulfill said mission overwhelms the rational monetary incentive to shirk.
difficult task of convincing teachers to subscribe to the new school culture, which required inspiring teachers to work tirelessly towards a mission (closing the achievement gap), convincing teachers to adopt specific instructional prescriptions (writing lessons in every class), and supporting teachers in this difficult pedagogical transformation. All of these tasks can be considered part of the high transitional cost to clan-like organization. This cost is especially high for management positions, as these leaders need to have enough enthusiasm for a particular educational culture that they can convince teachers to adopt such changes, and enough expertise to assist in the process. But teachers, too, have the difficult task of convincing students of the importance of the mission, a task that requires enthusiastic dedication and technical proficiency.

For this reason, clans are often only efficient when the work is challenging, tiresome, and inadequately compensated; in these cases, which correspond well to the institutional environments in which low income schools are situated, the social incentives motivating teachers facilitates their ongoing determination even as private incentives urge them to find easier and more highly paid jobs. In these circumstances, clans may be the only efficient organizations. Indeed, this conjecture is evidenced by the fact that Brockton High School and most of the other highly successful schools documented in the Achievement Gap Initiative and Bryk et al.’s study of Catholic schools display clan-like organizational characteristics, wherein an almost dogmatic commitment to a normative mission pervades all staff, interactions, and classrooms.

\[107\] Ibid., 253.
Indeed, William Ouchi’s conception of clan-like organization captures the successful organizational characteristics that Bryk, Lee, and Holland and the Harvard Achievement Gap Initiative stress are critical to improving educational outcomes for students of a low socioeconomic status. Although clan-like organizations would most often be considered effective under Chubb and Moe’s framework, Chubb and Moe do not make the theoretical or empirical case that clan-like organizations can or will emerge in a market system.\textsuperscript{108} While this may not matter for schools that educate relatively wealthy students from better educated families—in fact, clans would likely be inefficient in such contexts—the potential difficulty for markets to engender clan-like schools may have a profound effect on the capacity of vouchers to enhance educational services for those most in need. Chapter three and four will assess how this discrepancy has affected educational development in Sweden.

1.3 Step Two: Rewarding Quality and Promoting Equal Opportunity

Thus far, this chapter has dealt primarily with the debate surrounding Chubb and Moe’s theory that when schools have autonomy from bureaucratic constraints and democratic authority, they will organize more effectively in response to market incentives. But for Chubb and Moe, the utility of these organizations is simply that they are determinants of higher achievement, as measured by the High School and Beyond (HS&B) standardized test. Indeed, they offer no normative framework for

\textsuperscript{108} The essential difference between Chubb and Moe’s effective organizations and clan-like organizations is that the former still relies primarily on private incentives, while the latter necessitates replacing private incentives with social incentives.
how we ought to think about achievement as it is measured beyond this exam score. Instead, they assume that students have varying but equally legitimate educational preferences and needs, the proper fulfillment of which would require these organizational transformations; effective transformations would result in increased scores on HS&B or any other legitimate standardized test. Chubb and Moe even raise the stakes in their commitment to this assumption by arguing that school choice is in of itself a “panacea,” illustrating that even though school improvement could be observed through standardized tests, no such tests are necessary to ensure that this takes place.¹⁰⁹

While a number of authors challenge this generous assumption, it is worthwhile to first explicate its logic in order to highlight the strengths of market-based argumentation. With this assumption in place, Chubb and Moe are free to show how, instead of relying on the government to steer the school system towards quality from the top-down, accountability could instead emerge from the bottom-up, as students migrate from unsuccessful to successful schools.

This counter-intuitive logic that fulfilling the needs of clients in a marketplace could have indirect and socially beneficial consequences is all but original. Adam Smith famously articulated the same idea with respect to the functioning of the economy as a whole. In an oft-quoted passage, he wrote, “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.”¹¹⁰ This has become common wisdom among academics and policymakers. If we free businesses to pursue whatever reasonable

¹⁰⁹ Chubb and Moe, Politics, Markets and America’s Schools, 217.
means are necessary to maximize profits, so the story goes, we can expect the economy as a whole, measured most often in terms of GDP per capita, to increase even if no person or firm has that explicit social goal in mind.

Chubb and Moe apply the same argument to education, except that the maximization of profits would instead occur by raising academic achievement. This would take place even in a world without socially-oriented individuals, since people pursuing their own self-interest—the principal or owner hoping to attract more students, the teacher trying to increase his or her salary by pleasing students, parents, and superiors, and the families struggling to send their children to the best possible schools—would be incentivized by the market mechanism to directly or indirectly improve the quality of education. They argue that all this would take place without requiring government interference in the form of explicit standards, high-stakes testing, or other burdensome regulations—hence, a panacea.

But they do more than simply argue that schools would have the incentive to improve academic quality in a market system. Chubb and Moe believe schools will have a greater capability to do so than they would under democratic control. This theory hinges on the understanding that communities around the country vary dramatically. They have different dialects, histories, values, nationalities, religions, political orientations, and cultures that together influence both what students want to learn, and how they can learn most effectively. Communities may even be totally heterogeneous in some or all of these respects. Moreover, as contexts, cultures and demographics evolve, sometimes quite rapidly, so too will the needs of students and families. Even a brilliant piece of education reform legislation that attempts to dictate
how achievement must be reached would lack the flexibility necessary to meet the diverse needs of the thousands of students in each community, let alone the thousands of communities across the country.\textsuperscript{111}

Indeed, this is essentially a problem of information, famously articulated in F.A. Hayek’s influential 1945 essay, “The Use of Knowledge in Society.” In the essay, Hayek contends that the economic problem of society is “a problem of the utilization of knowledge which is not given to anyone in its totality.”\textsuperscript{112} In order for resources in any society to be allocated efficiently, information dispersed throughout the entire population—such as the subjective value and optimal quantity of all goods to consumers and the effectiveness of workers performing various tasks—must be utilized. Of course, no one person or even a group of policymakers could possibly possess all this information at a given moment. Even if they could, the information would be incomplete, contradictory, and continuously changing.\textsuperscript{113} Hayek instead argues that the efficient allocation of resources necessitates a system of free exchange, so that prices can embody all the information dispersed across a population.

While Hayek was discussing the allocation of national resources, his insights about the dispersed quality of information apply just as well to planning within a school system. Any attempt to impose top-down education reform would require knowing how a variety of teachers can be used and a diverse group of students taught most effectively, the kinds of values different communities hold most dear, what

\textsuperscript{111} Chubb and Moe, \textit{Politics, Markets and America’s Schools}, 37.
\textsuperscript{112} Hayek, “The Use of Knowledge in Society,” 520.
\textsuperscript{113} Ibid., 519.
content needs to be covered, and which pedagogies are most effective for particular students. By this logic, no matter how imperfect teachers, parents, principals, and students may be, the knowledge they alone possess allows them to make better decisions than any well-informed policymaker about how to individually utilize resources most effectively. Creating an unfettered education market in which individuals buy and sell educational goods would liberate the dispersed information required for the efficient allocation of educational resources and allow for the decentralized coordination of these resources.

Chubb and Moe contend that the inherent difficulty of measuring educational quality exacerbates this knowledge problem facing those who govern wide jurisdictions. Together, the knowledge problem and the nebulous character of educational goods will often result in the destructive combination of misguided and autonomy-limiting regulations, preventing schools and teachers from being able to respond effectively to their unique environments in ways unanticipated by national policy.

Using Hayek’s logic, Chubb and Moe argue that only teachers and principals have enough interaction with parents and students to understand and satisfy the needs of their constituents. Faculty can immediately discern when families or students are unhappy and can respond accordingly. Thus, under a market proposal, Chubb and Moe argue that school staff, freed from external constraints, would have the necessary information and freedom to adapt to the unique students and families they serve. Moreover, a market mechanism would provide them with the incentives to do just

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114 Chubb and Moe, *Politics, Markets and America’s Schools*, 37-41.
115 Ibid.
that, since the success of their schools would depend upon their ability to harmonize their educational goals with the needs of their clients. And unlike current methods of public school reform, which Chubb and Moe argue are most harmful to those already stuck in failing schools, a market-based reform would create incentives for entrepreneurs to provide educational alternatives for those most dissatisfied with the state of their neighborhood school.\textsuperscript{116} In this sense, students helplessly stuck in failing districts would be empowered to change their educational environments, which could dramatically increase their sense of ownership over their learning and motivate them in new and beneficial ways.\textsuperscript{117}

Chubb and Moe stress two final long-term effects of school choice. First, while the bureaucracy and rigidity of a public school system are intrinsically static (i.e. things will remain the same year to year unless educational legislation transforms the existing legal framework or political turnover throws the educational stasis into disequilibrium) a market-based educational system is inherently \textit{dynamic}. Without any design or intention, the more inept schools will fail as a result of the families migrating to more efficient, advanced, effective, or innovative schools better able to meet their needs.\textsuperscript{118} Over time, this should not only increase the quality of schools, but also decrease the costs taxpayers must devote to education.

Second, Chubb and Moe contend that markets would improve the quality of teachers and school leaders. In public schools, the responsibilities assigned to teachers and principals in democratically controlled systems undoubtedly discourage

\begin{footnotesize}
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\item \textsuperscript{116} Ibid., 220.
\item \textsuperscript{117} Cookson, \textit{School Choice: The Struggle for the Soul of American Education}, 97.
\item \textsuperscript{118} Chubb and Moe, \textit{Politics, Markets and America’s Schools}, 38.
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the most talented, ambitious, and inspired leaders from working in the education sector, where most of their talent will go unappreciated. Milton Friedman first articulated this point in response to the formalized educational policies that emerged in 1962:

“If one were to seek deliberately to devise a system of recruiting and paying teachers calculated to repel the imaginative and the daring and self-confident and to attract the dull and the mediocre and uninspiring, he could hardly do better than imitate the system of requiring teaching certificates and enforcing standard salary structures that has developed in larger city and state-wide system.”

Indeed, the inability to attract talented teachers and principals is particularly destructive because most educational leaders agree that teacher quality is the most important educational input in determining student achievement. A market system, on the contrary, would incentivize schools to adopt the organizational characteristics that give increased professional autonomy to teachers and principals. The enhanced professionalism of school staff would attract more highly skilled, ambitious, and self-confident leaders to education over time, a development that on its own could dramatically improve educational quality.

**1.4 Imperfect Competition: Why Markets May Not Be Enough**

Like their empirical work and previous arguments, Chubb and Moe’s theoretical assumptions and discussion of how schools will respond to markets has been met with heavy criticism, not only from those averse to a market-based education system, but also from economists and educational scholars who see

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119 Ibid., 57.
120 Friedman, *Capitalism and Freedom*, 96.
121 Klein and Rhee, “How to fix our schools: A manifesto by Joel Klein, Michelle Rhee and other education leaders.”
potential in a market solution, yet are not entirely convinced by Chubb and Moe’s reasoning. Because of the comprehensiveness of the challenges to Chubb and Moe’s theory, it is useful to divide the literature into two separate categories. First, a number of sources challenge Chubb and Moe’s primary assumption that consumer decisions translate into enhanced educational productivity. These critics instead argue that high transaction costs and non-academic consumer preferences will interfere with individually rational choices leading to improved educational quality. A second body of literature contends that the costs of transitioning to a market-based education system may unfairly hurt public schools and raise costs for taxpayers.

1.4.1 Challenging Assumptions Part 1: High Transaction Costs

As discussed, fundamental to Chubb and Moe’s theory is the assumption that consumers are capable of providing the bottom-up accountability needed to ensure that schools serving all students develop towards quality. The most fundamental reason why this may not take place is because of the high transaction costs involved in making educational decisions. In a market-based school system, students and families may have hundreds of educational options from which to choose. Making informed choices would therefore involve not only examining the educational statistics available, but also visiting potential schools, meeting with teachers, and sitting in on classes. While wealthier families may be capable and willing to dispense the financial resources necessary to invest in such meticulous information gathering, it is likely that families who are less educated or have fewer resources at their
disposal will not.\textsuperscript{122} For example, educational critic Michael Apple offers a comprehensive account of how middle class parents are unfairly equipped to manipulate market processes for their own benefit.\textsuperscript{123}

Many skeptics of choice reforms also argue that market-based systems would not be immune to the difficulty of defining and measuring quality education. The only differences would be that in a market setting the burden is shifted from administrators and policymakers to parents and students.\textsuperscript{124} Even if families research their options extensively, their understanding of educational options is still incomplete and largely superficial. For example, families may be able to distinguish among the educational philosophies to which various schools subscribe, but may not be able to determine how successfully each school implements its philosophy in the classroom. In this sense, education is an “experience good,” in that the specific benefits of particular educational choices to those students consuming them can only be revealed \textit{ex post}. As a result, quality may not be ascertainable until after a student has attended school for a period of time.\textsuperscript{125} For these reasons, one could even argue that family members are uniquely disadvantaged in making these educational decisions; the required degree of foresight might be impossible for individual parents to attain, while policymakers occupy a better position to analyze and compare the returns on different educational options.

\textsuperscript{122} Gintis, “The Political Economy of School Choice,” 499.
\textsuperscript{123} Apple, \textit{Educating the “Right” Way: Markets, Standards, God, and Inequality}, 61-62.
\textsuperscript{124} Levin, “The Economics of Educational Choice,” 144.
\textsuperscript{125} Adnett and Davies, “Schooling Quasi-markets: Reconciling Economic and Sociological Analysis,” 225.
Further, the high transaction costs of transferring to a new school may exacerbate the potentially harmful effects of families making educational choices on the basis of imperfect information. Once families enroll their children in a school, the costs of switching schools increase immensely; students will have already made friends, started classes, gotten used to their teachers, and acclimated to their environments.\textsuperscript{126} Because schools are undoubtedly aware that the equation has now changed for enrolled families, they may be less concerned about tailoring the educational goods they deliver to the particular needs of those they already enroll. Instead, schools may focus on appealing to the marginal consumers—those in the process of selecting between various schools, as for whom there are fewer costs associated with choosing a different school, as children have not yet invested socially or academically in any institution.\textsuperscript{127} Only enrolled students are actually capable of \textit{experiencing} educational quality. Consequently, schools may be incentivized to invest resources in ways that superficially appeal to potential consumers but do not enhance educational quality for already enrolled students.\textsuperscript{128}

On the one hand, despite the aforementioned obstacles, there are still mechanisms by which markets could more effectively cater to the needs of students and families currently enrolled in schools. Henry Levin discusses the two primary bargaining chips families can use to ensure that schools meet their demands: their

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\item \textsuperscript{126} Witte, \textit{The Market Approach to Education: An Analysis of America’s First Voucher Program}, 202.
\item \textsuperscript{127} Adnett and Davies, “Schooling Quasi-markets: Reconciling Economic and Sociological Analysis,” 230.
\item \textsuperscript{128} Brighouse, “School Choice: Theoretical Considerations,” 152-156.
\end{itemize}
\end{footnotesize}
voices and their exit.\textsuperscript{129} In a public school system, parents can exert influence on schools through debate, negotiation, voting, or other forms of political participation.\textsuperscript{130} However, because the costs of switching schools are immensely larger in a public system, exiting is a virtually insignificant force for molding schools to family preferences. In private schools, although there are no required institutional mechanisms by which parental voice can influence schools, Levin argues that voice and exit can mutually reinforce one another. Parents, acting alone or in concert, can use the explicit threat of transfer to force schools to respond to their demands.\textsuperscript{131} It is possible, therefore, for the threat of the exit to force schools to meet the demands of constituents, perhaps to an even greater degree than the democratic institutions pervading public education.

On the other hand, a system based on choice may indirectly absolve schools of the responsibility to educate the most expensive students: those who have behavior problems, are many grades behind, or have certain mental or physical disabilities. Public schools are legally required to educate all students regardless of their costliness, and as a result of this codified responsibility, principals and teachers may be motivated by their civic responsibility to help even the most difficult students. However, in market-driven schools this obligation may be more easily rationalized away because no one school has this inherent purpose, schools may perceive difficult

\textsuperscript{129} Albert O. Hirschman in Levin, “The Economics of Educational Choice,” 145.
\textsuperscript{130} Ibid.
\textsuperscript{131} Ibid.
students as having incompatible pedagogical needs, and competitive pressures may encourage schools to retain only the most promising students.\textsuperscript{132}

Moreover, prohibitively high transaction costs will likely be relatively higher in impoverished neighborhoods and for underserved students. In his discussion of the Milwaukee school voucher program, John F. Witty observes that nowhere do we see thriving businesses in the midst of poverty. The fear of crime, the costs of protection, and the deterrence to customers all encourage businesses to migrate to safer and wealthier neighborhoods. He therefore questions the logic that an educational economy would nevertheless be able to thrive in impoverished or high crime areas, rather than just wealthier suburbs or downtown.\textsuperscript{133} The costs of educating the most underserved students, especially in close proximity to their homes, may outweigh the economic incentives to reaching out to these likely dissatisfied students. This may be the case even if, as many advocate, the voucher size for such students are increased relative to middle- and upper-class students.

Indeed, in this sense choice could exacerbate the problem of teachers neglecting to educate the most costly and challenging students. This explains why Bryk, Lee, and Holland contend that market incentives are not sufficient to help disadvantaged students; they must be complemented by some form of moral or philosophical authority to prevent teachers from being motivated by purely private

\textsuperscript{133} Witte, \textit{The Market Approach to Education: An Analysis of America’s First Voucher Program}, 5. This concern that thriving educational institutions requires simultaneous poverty and crime reductions is the driving philosophy behind the \textit{Harlem Children’s Zone}
incentives.\textsuperscript{134} My analysis of Sweden will pay special attention to the effects of high transaction costs on improving educational quality for underserved students.

1.42 Challenging Assumptions part II: Non-Academic Preferences

The other primary challenge to Chubb and Moe’s assumption is that consumers may have nonacademic preferences, that is, preferences whose aggregate fulfillment may not result in a high quality school system as measured by some agreed-upon standardized test. The above-mentioned high transaction costs of making educational decisions may exacerbate these nonacademic motivations. For example, Nick Adnett and Peter Davies argue that in a market system, parents would seek out simple and accessible signals when deciding upon goods as complex as education.\textsuperscript{135} They offer proximate location as an example of one of such accessible signal; other signals include nonacademic offerings, such as special perks or improved infrastructure.\textsuperscript{136}

Perhaps the most likely and harmful signal that families may use to make educational decisions is the demographics of a school’s student body. One study contends that when parents lack price signals, they look for schools with high scoring students rather than schools where students show large score increases.\textsuperscript{137} In a review of various empirical works, economist Helen Ladd also finds that parents “seek to

\textsuperscript{134} Bryk, Lee, and Holland, Catholic Schools and the Common Good, 316.
\textsuperscript{135} Adnett and Davies, “Schooling Quasi-markets: Reconciling Economic and Sociological Analysis,” 229.
\textsuperscript{136} Benveiniste, Carnoy, and Rothstein, All Else Equal: Are Public and Private Schools Different?, 188.
\textsuperscript{137} Stephen Pratten in Adnett and Davies, “Schooling Quasi-markets: Reconciling Economic and Sociological Analysis,” 229.
move their children to schools in which the average socioeconomic characteristics or nonminority share of students is higher than it would be in their original or assigned school,” using socioeconomic levels as a proxy for school quality.\textsuperscript{138} Other studies have argued that schools therefore attempt to compete by enhancing their cultural capital by accepting higher scoring, wealthier, or nonminority students.\textsuperscript{139} W. Bentley MacLeod and Miguel Urquiola model this tendency, concluding that vouchers could only increase quality if school admission were determined by a lottery system, limiting the effects of cream-skimming and undermining the usefulness of using peer makeup to signal educational quality.\textsuperscript{140}

But the reasoning behind educational decisions may not always be distorted in the direction of wealth and student ability. Peter Cookson argues that it is difficult to separate educational decisions from the cultural and socioeconomic contexts in which they are made, as conceptions of a “good” education are very much the product of the social spaces families occupy.\textsuperscript{141} In making educational decisions, some families will inevitably look for cultural instead of academic indicators, a behavior which could also result in self-segregation based on wealth, religion, or ethnicity.\textsuperscript{142}

Although the funding of deeply religious schools is the iconic moral issue surrounding the fulfillment of cultural preferences in voucher program, Henry Levin submits a potentially more pervasive, subtle and destructive ramification of this

\textsuperscript{140} MacLeod and Urquiola, “Anti-Lemons: School Reputation and Educational Quality,” 1-3, 37.
\textsuperscript{141} Cookson, School Choice: The Struggle for the Soul of American Education, 110.
\textsuperscript{142} Ibid.
degree of educational freedom. Schools could effectively channel students into the same occupational classes as their parents. For example, working class families may seek more structured and highly disciplined or vocationally-oriented education environments, while middle and upper class families will choose schools with greater curricular freedom that nurture self-discovery and academia.\footnote{Levin, “The Economics of Educational Choice,” 149.} A market-based education system could then serve to reproduce class structures as well as religious and cultural traditions, rather than provide all children with equal opportunities regardless of class, ethnicity, or culture.

Levin argues that this particular concern is symptomatic of a pervasive tension between the liberty of families and a nation’s democratic goals.\footnote{Ibid., 41-43.} For example, in a market setting, if 90% of a school were made up of very religious families, they could band together and threaten to exit unless the school taught abstinence-only sex education or creationism instead of evolution. On the one hand, if such an action were legal, schools would be free to cater to some of the most fundamentally important preferences consumers could have. On the other, as Levin maintains, “schooling for democracy must ensure exposure to different views in controversial areas, a discourse among those views, and the acceptance of a mechanism for reconciling the debate.”\footnote{Ibid., 148.} Tolerance, a value central to American democracy, has been shown to increase in students based on their exposure to opposing viewpoints on controversial subjects, but it is less likely that schools hoping to attract families of particular political or
religious beliefs would attempt to stimulate such discourse on the issues most important to them.\textsuperscript{146}

\textit{1.43 Promoting Unfair and Expensive Competition}

With this in mind, it is necessary to discuss a final criticism of voucher programs: that they will unfairly hurt even successful public schools. As a result of high transaction costs surrounding education and the preferences of families, it is possible that markets would reward something other than the \textit{quality} of schools; this might be the case even if quality is measured just by a standardized test, as Chubb and Moe suggest. Moreover, since public schools were not built or organized to efficiently compete in a marketplace, many high quality schools may fail to attract students because they are incapable of advertising themselves to students or dealing with the fluctuating enrollment sizes endemic to a market-based system.\textsuperscript{147}

Considering that the United States government has already invested billions of dollars in the infrastructure, employees, curricula, and administration of public schools, the costs (both social and financial) of transitioning to entirely \textit{new} institutions could be tremendous. Indeed, the ramifications of \textit{creative} destruction are less devastating when the institutions destroyed are not responsible for providing life opportunities to millions of children. Because politicians would be aware of this concern, an equally likely—but no less expensive—result could be that instead of enacting the necessary reforms in public schools or allowing them to be replaced by

\textsuperscript{146} Ibid., 148-149.
\textsuperscript{147} Smith and Meier, \textit{The Case Against School Choice: Politics, Markets, and Fools}, 61.
more popular private schools, local governments may inject more money into struggling public schools to keep them from going bankrupt. As evidenced by a myriad of historical quasi-markets, when institutions operate under soft budget constraints, the incentive for destructive rent seeking increases and the capacity for markets to reward quality in a cost-effective manner is all but stifled. Indeed, when applying Chubb and Moe’s theory to a system already invested in thousands of public schools, some of which are high-achieving but none of which were built to compete in a voucher system, it becomes unclear that aggregate costs could decrease, especially when trying to fulfill a social commitment to students currently enrolled in our public school system.

This literature is on the whole pessimistic about the possibilities of a voucher system. Because of high transaction costs and the non-academic preferences of families, markets may reward educational outputs other than increased student achievement, making otherwise successful private and public schools unable to compete. Vouchers could then set our schools on a trajectory towards increased inequality, economic and cultural segregation, and total costs.

However, before turning to the case study portion of our investigation, there are two important tasks at hand in considering the theoretical debate over the potential for markets to improve our schools. The first is to assess the extent to which regulation can solve the market problems noted above, and the second is to weigh the

148 For a detailed analysis of the destructiveness of soft-budget constraints in the post-Soviet transition to capitalism in the early 1990s, see Anders Aslund, How Capitalism Was Built: The Transformation of Central and Eastern Europe, Russia, and Central Asia (2007).
educational market model against the pros and cons of the current United States educational system.

1.5 Reconciling Narratives: Can Regulated Markets Save Our Schools?

Having just developed a comprehensive critique of each major aspect of Chubb and Moe’s argument, the question of this section will be whether it is even worth moving forwards with this project—if the weaknesses in the school choice narrative make futile any further exploration of choice and competition as a useful paradigm. Interestingly, many of the authors just discussed still believe that some application of regulated markets could be beneficial to our schools; their conceptions of how to productively integrate market forces with schools just differ from Chubb and Moe’s.

Indeed, Chubb and Moe do not have vastly diverging views from egalitarians such as Herbert Gintis as to what a voucher system ought to look like. Both call for banning schools from charging fees in addition to the voucher, for the determination of voucher sizes based on the cost of educating students (so that more difficult-to-educate students have larger vouchers attached to them), and for the establishment of an institution whose purpose is to make educational information accessible to families. The primary point of contention between these two camps is that while the former demands that schools accept students on a lottery basis to minimize the detrimental effects of cream skimming, Chubb and Moe argue that schools must have

the freedom to accept students based on their own criteria.\textsuperscript{150} However, this distinction has profound consequences, which will be discussed in great detail in the Swedish case study.

John Witte and Peter Cookson also offer provisional support for a market-based system, so long as vouchers are re-distributional in nature, only given to those under a certain income level to ensure that market forces are utilized only for their educational improvement. Gintis even argues that in spite of market imperfections, vouchers could potentially mitigate social problems if they are structured to incentivize the achievement of social goals, such as diversity in schools or increased resource mobilization for the poor.\textsuperscript{151}

Jeffrey Henig of Columbia University’s Teachers College argues that having intra-school competition may be a more effective way of utilizing markets. He contends that a diversity of teachers and educational methods \textit{within} schools is a better way to maximize individual choice while still cultivating racial and economic integration and community values among students.\textsuperscript{152} But he emphasizes that such a system cannot rely on test scores as the normative criterion for judging excellence. Such a policy would result in students, teachers, and administrators losing sight of perhaps the most profoundly important role of schools in our society: passing on democratic values to new generations.

\textsuperscript{150} Chubb and Moe offer a regulatory framework that would randomly place students rejected from all schools into a school, and force schools that expel students to accept students expelled from other schools.
\textsuperscript{152} Henig, \textit{Rethinking School Choice}, 211.
Other critics see how the voucher system might produce egalitarian but have high standards for the regulations necessary to ensure that such a system does not reproduce socioeconomic stratification across generations. For example, educational philosopher Harry Brighouse contends that the government ought to ensure that schools provide autonomy-facilitating education, which allows children to form their own opinions and values regardless of social and economic circumstances. But as emphasized in his debate with Gintis in *Recasting Egalitarianism*, Brighouse is deeply pessimistic about whether a voucher system can be adequately regulated so as to ensure that children have the capacity to become autonomous individuals. Moreover, he argues that achieving popular support for the necessary regulations to facilitate autonomy and equity requires the left to win a very difficult debate on what equal opportunity really means.

Michael Apple also contends that voucher programs are inherently contradictory, since increased marketization and devolution of the state is often paired with the demand for “the constant production of evidence…. [R]esults must be reducible to standardized ‘performance indicators.’” Although Apple claims this is a neoliberal demand often used to perpetuate conservative morals, the previous discussion should emphasize that egalitarians also demand that a voucher system be complemented with these “performance indicators,” to reduce costs for families.

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154 Ibid., 170-175. Brighouse contends that a voucher system that promotes equality and autonomy necessitates that students receive vastly disproportional funds based on their cost of education, while the government closely and effectively regulates schools to ensure that they are not shuffling students into a religious, career, or cultural track.
researching academic quality and allowing them to make decisions based on academic (rather than cultural, class, or religious) preferences. Thus, it seems that a voucher system needs to be complemented by government interventions through these performance indicators so that religious, class, and cultural preferences do not distort the direction of school development and further segregate students based on such preferences. But this means that any kind of voucher system would have to emerge in the context of a school-system self-aware of its purpose—what quality education ought to mean.

Although achieving such a consensus seems politically impossible, egalitarians like Herbert Gintis are quite optimistic about the potential success of a regulated voucher system. While Gintis argues that not only must this egalitarian political consensus be achieved, but also that it must be maintained, lest schools become deregulated over time, he still contends that the government may be able to regulate these social goals more effectively than a public system. Citing a long history of effective (though admittedly imperfect) government regulation, Gintis contends that, “Only the competitive interaction of firms generates the information necessary to judge firm performance. Hence competition is necessary to render firms accountable to agents outside the firm.”156 More importantly, Gintis argues that a market system could empower local actors to reform schools from within, rather than relying on state actors to intervene, and “would offer disadvantaged and minority communities the resources to form schools catering directly to the needs of their particular

constituencies…improving [their] educational opportunities." While certainly not a *panacea*, Gintis believes a bottom-up voucher system could finally reconcile the tension between politically salient reforms and support from administrators, principals, teachers, and students.

We must also compare the possibilities of a voucher system to the current realities of our public education system. Paradoxically, what may inform Gintis’s optimism about the potential for market-based education to alleviate the inequities of capitalist development is his research into the ways capitalist goals have already infiltrated our *public* school system. In their compelling work *Schooling in Capitalist America*, Gintis and frequent co-author Samuel Bowles argue that over the past 150 years, employers have exploited political influence to ensure that schools psychologically prepare targeted students for future employment, and that through close interaction between business and schools, the latter have come to adopt the organizational styles and values of the former. As a result, public schools tend to “foster legitimate inequality through the ostensibly meritocratic manner by which they reward and promote students and allocate them to distinct positions in the occupational hierarchy.” Although the book was written more than a quarter-century ago, Bowles and Gintis revisited the topic in 2001 and found that their hypothesis had been vindicated over the decades, arguing that the data on the inter-

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157 Ibid., 506.
159 Ibid., 11.
generational persistence of economic status now bolsters their hypothesis to an even greater degree.\textsuperscript{160}

Thus, it is not difficult to make the case that our education system is currently perpetuating unequal economic distributions and calling it a \textit{meritocracy}. Moreover, the kind of political consensus that Gintis demands is no more intractable than what is required for any kind of educational reform to be successful. In her history of unsuccessful school reforms, Diane Ravitch argues that failures of school reforms have stemmed from policymakers forgetting about the actual curricular content of schools in their zest for reform, purging teachers of their sense of mission and moral commitment, and doing little to improve instruction.\textsuperscript{161} In a similar (but much more hopeful) history, David Tyack and Larry Cuban discuss how this lack of consensus manifests itself organizationally when the conservative tendencies of teachers and schools clash with political demands for innovation.\textsuperscript{162} Moreover, Tyack and Cuban argue that reform efforts must embrace cultural and educational pluralism, the diverse needs of students, and community involvement, while disposing of the pervasive myth that there is \textit{one best system} for all is especially important in improving the quality of schools for the poor.\textsuperscript{163}

Indeed, a very strict and clear consensus is necessary about what core educational elements must be present in Ravitch’s curriculum-oriented and Tyack’s pluralistic reform. While both these historians believe they have an approach specific

\textsuperscript{160} Bowles and Gintis, “Schooling in Capitalist America Revisited,” 2.


\textsuperscript{163} Tyack, \textit{The One Best System: A History of American Urban Education}, 290-291.
enough to engender meaningful changes but broad enough to allow for diversity and autonomy, so do almost all reformers. Chubb and Moe have shown, if nothing else, how the best ideas can be mutated into stifling restrictions through the process of top-down implementation. Instead, the bottom-up accountability of a voucher system, with the proper regulations, could potentially provide an avenue to fulfill Ravitch’s emphasis on the curriculum and Tyack’s call for a collaborative staff, pluralist education, and community engagement.

Given the market’s tendency to incessantly transform and enhance firm productivity, I posit that it would be as foolish not to consider the potential of a voucher system as it would be to pretend that a voucher system on its own could act as a panacea. This is especially true for the students most disadvantaged by our current education system. For these students, vouchers could either end the destructive cycle of political intervention, allowing market forces and proper incentives to improve schooling conditions from within, or “liberate” them from failing schools only to provide them with no alternatives and no means of using their new freedom to substantively improve their opportunities.

The subsequent chapters rely on evidence from a specific case of an existing, long-standing voucher system, with the intent to understand whether such a system improves or worsens educational quality, especially for the socioeconomically disadvantaged. Focusing on Sweden, the choice system that is most likely both comprehensive and matured, as well as highly invested in and capable of leveling the educational playing field, the remainder of this project will consist of three parts. First, it will examine prevalence and consequences of the market failures described
above in the context of the Swedish voucher system. It will then describe the organizational changes that have taken place in Swedish schools as a result of voucher reforms and assess how they comply with Chubb and Moe’s hypothesis. Finally, the Swedish investigation will seek to understand the interaction of market failures and this organizational behavior to assess the capacity for vouchers to improve educational conditions for all.
2. An Analysis of Sweden’s Imperfect Educational Market

In December of 2010, national governments and educational leaders around the world anxiously awaited the release of one of the most influential international indicators of educational quality: the *Programme for International Student Assessment*, often referred to as PISA. Since 2000, PISA has administered standardized tests to samples of students in major countries every three years. PISA measures not only the academic achievement of each school system, but also the distribution of educational achievement across socioeconomic groups, ethnicities, and different kinds of households. While PISA is not capable of measuring all competencies, as there are both methodological constraints for any international test, as well as no international consensus on what competencies fifteen-year-olds should possess, research has found that skills measured by PISA are highly predictive of students’ future success.\(^{164}\) As a result, PISA is one of the most universally used international benchmarks for comparing the quality and equity of various educational systems.

However, the 2009 release of the PISA results was particularly important for Sweden, and not just because Swedish policymakers used PISA scores as an indicator of quality schools when developing continuous educational reforms.\(^{165}\) More importantly, the 2009 PISA results could serve as a measure of success for the

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\(^{164}\) Schleicher, “Can competencies assessed by PISA be considered the fundamental school knowledge 15-year-olds should possess?” 356.

\(^{165}\) Segerholm, “‘We are doing well on QAE’: the case of Sweden,” 206.
reforms implemented in Sweden over the past decade since the first PISA assessment was administered in 2000, especially since during that period, the government has increased its efforts to effectively regulate educational markets. Unfortunately for many Swedish leaders, the results were less than impressive. In 2000, Sweden was regarded as the most equitable educational system in the world, and ranked well above the OECD average of 500 with a total score of 516 points. By 2009, Sweden had lost 19 points (falling to 497) in overall quality, dropping below the OECD average in science and foregoing its revered status as one of the most egalitarian education systems in the world.\footnote{166 Tse, “Swedish pupils slide in new global ranking.”} Instead, there is a growing disparity between high- and low-performing students and schools based on nearly every PISA indicator, with socioeconomic factors playing an increased role in predicting scores.\footnote{167 Skolverket, Rustad att möta framtiden? PISA 2009 om 15-åringars läsförståelse och kunskaper i matematik och naturvetenskap. Resultaten i koncentrat.} Sweden now also has one of the highest performance disparities between native students and those with foreign backgrounds.

We can similarly assess the success of school choice in Sweden using the most fundamental national categorization of educational achievement: there is a considerable downward trend regarding the completion of graduation requirements in secondary and upper-secondary schools. In the 1999-2000 academic year, 10% of all adolescents and 21% of students with immigrant backgrounds left compulsory school without having met the requirements. By 2009, 11% of all adolescents and 23% of students with immigrant backgrounds were not qualified for upper-secondary
school.\textsuperscript{168} These unqualified students are enrolled in an *individual program*, which is intended to catch students up so that they can qualify for upper-secondary school and enroll in one of the other national programs. Although the individual program is notoriously unsuccessful, its effectiveness has declined even further over the past decade. Students entering the program in 1999 had a graduation rate of 35\%, while those enrolled in the program in 2009 have a 14\% completion rate.\textsuperscript{169}

It is therefore a reasonable conclusion that the academic achievement of students has deteriorated since 2000, especially of non-native students and those of lower socioeconomic status. However, though these statistics certainly show that something has not worked in Sweden, they do not necessarily impugn market-based educational reforms. Indeed, our discussion in Chapter two should have illuminated how market reforms are unlikely to be a panacea, and must be complemented by a supportive regulatory regime to ensure that information is dispensed, corners are not cut, and the wealthy do not accrue all the benefits. For that reason, it is of great value to analyze the effects of markets on schools over time, especially as a competent government attempts to adopt egalitarian regulations. As has been discussed, Sweden’s experience provides an illustrative test case documenting this struggle effectively. Indeed, one could draw pessimistic conclusions about the voucher movement if these outcomes have emerged despite Sweden’s best effort to regulate effectively. But if Sweden does not adequately implement these regulations—either

\textsuperscript{168} Taguma et al., *OECD Reviews of Migrant Education: Sweden*, 17.

\textsuperscript{169} Lundahl, “Sweden: decentralization, deregulation, quasi-markets and then what?” 695; *Completion Rates in Upper Secondary Education*, 8.
intervening too much, not enough, or in counterproductive ways—then improving said regulations could yield better results.

But assessing the extent to which improved regulations could set the Swedish school system on an upward trajectory requires an understanding of the ways in which the Swedish educational market is imperfect. As discussed in the Chapter two, a substantial body of literature describes how the high transaction costs and nonacademic preferences pervading educational markets can have deleterious effects on school development, and how many of the limitations to a perfect educational market can be overcome by enlightened regulation. Therefore, the goal for this chapter is to capture the consequences of market limitations in contributing to this generally poor educational performance and the extent to which they have or can be overcome by government intervention in Sweden.

With this market context laid out, Chapter three will take a different approach, by examining six case studies to assess whether schools in Sweden are capable of adopting the kinds of organizations necessary to improve academic outcomes. Finally, Chapter four will combine these two insights on the market and organizational limitations facing schools in order to examine how Swedish schools respond to competitive pressures in an imperfect market, and whether the developments will still lead to academic improvement in ways Chubb and Moe predict.
2.1 Peer-Effects, Cream-Skimming, and Frills: An Overview of the Market Limitations in Sweden

Evidence suggests the market failures discussed in Chapter two—transaction costs and nonacademic preferences—have had a profound effect on the way educational markets have developed in Sweden over the past twenty years. Transaction costs, the inherent expenses involved in making economic exchanges, are high in Sweden’s educational market for a number of reasons, leading to imperfect decision-making and discrimination against those with fewer resources. In recognition of this inherent inequality, the Swedish government has attempted to equalize the application process by requiring first-come-first-serve admission until high school, abolishing supplementary fees, and providing copious amounts of online information. Nevertheless, there are ways in which high transaction costs still prohibit poorer or less educated families from seeking the best schools. Indeed, making educational decisions is an expensive process, often necessitating online searching, school visits, and meeting with experts and counselors.

But in Sweden, transaction costs for families are further increased because schools do not always make useful and academically meaningful information accessible. A case study of one Swedish municipality observed that school brochures are one of the most important resources for families in making their educational decisions, yet in a recent study of this mode of advertising, researchers found that over the past decade these brochures have become less informative and instead appeal

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to emotions, emphasizing the atmosphere and beautiful locations of their schools.\textsuperscript{171} The authors of the study also argued that only informed and experienced parents could easily extract useful knowledge from these sources, increasing the relative costs of attaining meaningful information for those of a lower socioeconomic status.

Of course, Chubb and Moe do not expect the market to produce useful and informative material, and therefore argue that having publicly-collected and accessible information is mandatory for a successful voucher system.\textsuperscript{172} Although the Swedish government puts great efforts into making information on schools both public and accessible, and is even labeled the “vanguard” of all Scandinavian countries in terms of standardized testing and readily accessible comparative information, students and families have difficulty making use of this information.\textsuperscript{173} This is so for two reasons. First, most information the national government makes accessible is based not on national tests, but teacher-assigned grades, which are not standardized throughout the country.\textsuperscript{174} Second, the information available is geared towards the municipalities themselves, rather than families hoping to make the right decisions.\textsuperscript{175} One of the leading public relations representatives for independent schools presented the problem as such:

“To make good choices you must have good information, and we think this information side is underdeveloped in Sweden...I think it would be fair to say that a lot of the information is available today, in some form or other, but I would also say that it seems to us that the primary target for this information gathering up to now has

\textsuperscript{171} Johnsson and Lindgren, “‘Great Location, Beautiful Surroundings!’ Making Sense of Information Materials Intended as Guidance for School Choice,” 185.
\textsuperscript{172} Chubb and Moe, Politics, Markets and America’s Schools, 220-221.
\textsuperscript{173} Hudson, “Governing the Governance of Education: the state strikes back?” 276.
\textsuperscript{174} Allen, “Replicating Swedish ‘free school’ reforms in England,” 5.
\textsuperscript{175} Hudson, “Governing the Governance of Education: the state strikes back?” 276.
been the individual schools, the municipality, and organizations…it’s not available in any meaningful way for students and parents…”

While the government could improve the way it makes information accessible to students and families, there is a separate problem. When making educational decisions, students and families are confronted by an overwhelming number of educational options, especially in urban areas where markets are the most developed. One study notes that most students receive information from school fairs at the end of eighth grade, at which nearby high schools set up booths to advertise themselves. I met with a group of students who received most their knowledge about upper-secondary schooling options from such a fair at the end of the 8th grade. For the most part, the students found the process unhelpful; it consisted of countless teachers and high school students trying to de-emphasize any negative aspects of their respective schools while emphatically stressing the benefits. The students’ difficulty selecting was amplified by the sheer number of schools at the fair, precluding them from realistically learning about each of their options. They instead had to rely on arbitrary means of narrowing their search. When asked about what drew them to their current high school’s booth, one student recalled,

“It had a lot of colors, and that catches the eye. Most of them were quite blank. Some of them had colors. But this school, when they advertised—they had a lot of color mixes. Our school’s logo is the golden crown, and they often take the golden crown in the background of red, and that really stood out. No other school had that. They could have yellow or black or white but it was just so very monotone.”

176 Official at the Swedish Association of Independent Schools, “Interview #06.”
178 Students at school A, “Interview #07.”
Other students agreed that the school’s color scheme attracted them, with one reflecting, “It was kind of beautiful!” The one student who did not see the booth for the school at the fair was influenced by simply looking at the poster.\textsuperscript{179}

While initial interest can be attributed to these arbitrary filters—marketing aesthetics or chance—most students actually made the decision to attend their school based on two critical characteristics. The students really liked the teachers with whom they met; unlike the others at the fair, they seemed to give more honest information about the positive and negative qualities of the school. Further, the students were intrigued by their school’s focus on psychology and drama.\textsuperscript{180} After two years, most of the students seemed quite content with the decision they made, and ended up appreciating the school’s orientation toward psychology and drama that attracted them in the first place.

Still, they had to select from an inherently limited pool of schools. Given the oversupply of information, they had to focus on specific schools by arbitrarily reducing their options to those that caught their eye. Considering that there are one hundred upper-secondary schools and two hundred and fifty secondary schools to choose from in the Stockholm municipality alone (and this figure does not include the many schools easily accessible by public transportation in the greater Stockholm region), these methods for simplifying educational decisions are unavoidable, but also limit the rationality with which choices can be made. Indeed, this fact points to a tension within any school choice scheme. Market-induced educational improvement requires that consumers make academically oriented decisions based on a

\textsuperscript{179} Ibid.
\textsuperscript{180} Ibid.
pedagogically diverse pool of options. Yet, even if the government were to dispense information in an accessible manner, the research necessary to adequately compare the multitude of educational options would preclude most students and families from being able to make the most informed decisions. Thus, educational diversity and well-researched consumers are in tension with one another, especially for students and families with fewer resources.

The costs of making informed educational decisions are further amplified by the fact that education, as I discussed in Chapter two, is an experiential good, one whose quality can only be ascertained by the consumer as or perhaps even after they consume it. As a result, there is an inherent risk associated with choosing a particular school regardless of the amount of usable information that may exist. However, since students can get a better sense of the quality of a school after enrolling, transferring should be a useful tool for disappointed consumers to “vote with their feet.” However, transferring has significant costs: social (making new friends and adjusting to a new environment), academic (having a less coherent educational experience), and financial (going through the search, application, and decision process more than once). Evidence from the Swedish education system suggests that these costs may be more prohibitive for those from a lower socioeconomic status. One study found that middle- and upper-class parents were more engaged in the process of choosing schools and were more willing to transfer their children if they were unsatisfied.¹⁸¹ Furthermore, although wealthier families are perhaps more willing to switch schools, transferring is still likely to impose significant for all families as they research

alternative educational options. For these reasons, transferring does not seem an adequate means of negating the inherent risks involved in making educational decisions.

Finally, schools often have an incentive to increase transaction costs for potential consumers as a way of attracting a more educated and wealthy portion of the population. Compulsory schools that do not have the luxury of accepting only the highest scoring students usually find other ways of weeding out poorer or less educated students from their applicant pools. For example, parents hoping to enroll their children in some of the most popular compulsory schools may queue on the streets to ensure that they are the first in line.\footnote{Allen, “Replicating Swedish ‘free school’ reforms in England,” 4.} Only those with the luxury of surplus time are likely able to afford such measures. Other schools require parents to attend several meetings (on both the weekends and weekdays) before their children can even apply.\footnote{Stewart, “Chain Schools: Swedish system will be divisive in UK, say critics.”} This requirement of excessive meetings is undoubtedly a costly for schools, and therefore an interesting phenomenon. Although schools themselves would likely argue that these meetings ensure that students and families understand, accept, and are well matched for a school’s mission and style of educating, this policy could also serve to intentionally weed out poorer or less educated families from their applicant pools, because such families are less likely to be able to meet this requirement.

Such practices, known as \textit{cream-skimming}, are adopted because families in Sweden often use the peer-make up of schools to determine quality. One study conducted near the beginning of the school choice reforms found that by far the most prominent reason for attending a compulsory school, with the exception of proximity,
was whether it had “Friends/good peer atmosphere.”

Another study of one particular Swedish municipality discovered that school leaders believe that families make decisions based primarily on proximity, reputation, specializations, and a school’s socioeconomic makeup: class size and standardized test scores come in fifth and seventh respectively. Other investigations have identified trends of Swedish families preferring schools with other ethnically Swedish students and a low percentage of immigrants, as well as a pattern of native-born families fleeing schools with growing immigrant populations. Nihad Bunar, a prolific critic of the Swedish educational reforms, summarizes the forces driving these trends. “Working-class and minority parents,” he argues, “consider the mere presence of middle-class and ethnic Swedes in a school as a guarantee of quality and as a channel for accessing strong networks, proper Swedish language, and the ‘right’ codes of conduct, values, and norms.”

While some may define quality as the presence of wealthy peers, evidence from Sweden also suggests that choice has helped push others on an educational path that conforms to social class. One longitudinal study completed in 2001 found that pupils from working class backgrounds still chose vocational programs to a greater extent than those from middle class parents, and that traditional gender structures

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were upheld within these vocational programs: girls migrated toward health care, child care and recreation, while boys preferred technological or electrical programs.\textsuperscript{189} Thus, choice in Sweden does not seem to have liberated students to seek educational avenues otherwise unavailable; students are often restricted by family or societal norms in their educational decisions.

Indeed, beyond equating quality with the peer makeup of schools or using school choice to reinforce class or gender roles, consumers have other types of nonacademic preferences. Many students weigh the location of schools heavily when making educational decisions, preferring schools in urban centers and interesting neighborhoods to those in the suburbs.\textsuperscript{190} Students are also susceptible to frills when deciding which schools to attend. Every person I interviewed either mentioned or was aware of schools pulling gimmicks to stand out amidst competition and entice students who lack other means of deciding. The most pervasive example of this, to which the majority of interviewees referred, is schools offering students “a laptop and a driver’s license.” While everyone I interviewed mocked this type of advertising, its prevalence suggests that it works for some segment of the population, most likely those who lack the educational background to see through such schemes or who otherwise would not be able to afford a laptop or drivers license. As the discussion of Swedish brochures indicated, attracting students by appealing to emotion is also an increasingly successful marketing technique, and some have argued that instead of

\textsuperscript{189} Lund, “Choice paths in the Swedish upper secondary education – a critical discourse analysis of recent reforms,” 635.
\textsuperscript{190} Administrator at school F, “Interview #09.”
just responding to the needs of consumers, firms may actually play an active role in shaping consumer preferences based on the services they offer.\textsuperscript{191}

These market failures also indirectly limit the pedagogical diversity of schools. Indeed, the inherent difficulty of measuring quality and the diversity of ways consumers and outside organizations define quality results in a pervasive uncertainty as to the value of services being offered. Educational economist Byron Brown argues that in response to the uncertainty facing students and families regarding not just the quality of education but also their ability to flourish in particular environments, schools will attempt to diffuse this risk by tending towards “comprehensive uniformity” by providing “a full range of primary services,” rather than specializing in one unique approach.\textsuperscript{192} Institutional theorists Paul DiMaggio and Walter Powell also argue that such uncertainty propels schools to behave isomorphically; schools take on the characteristics and structures of surrounding organizations so that they gain legitimacy in the eyes of consumers, organizations on which they are dependent (workplaces, colleges, teacher training schools, etc.), and their own staff.\textsuperscript{193} A 2007 study from the Swedish school inspectorate confirms this isomorphism, concluding that in terms of organization, pedagogical content, and relations with parents, independent schools increasingly resemble municipal schools.\textsuperscript{194}

\textsuperscript{191} Christopher Lubienski in Johnsson and Lindgren, “‘Great Location, Beautiful Surroundings!’ Making Sense of Information Materials Intended as Guidance for School Choice,” 177.
\textsuperscript{192} Brown, “Why Governments Run Schools,” 287.
\textsuperscript{193} DiMaggio and Powell, “The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields,” 150-152. The third objective of isomorphic behavior—increasing a school’s legitimacy in the eyes of its staff—will be elaborated in greater detail in the following chapter.
\textsuperscript{194} Bunar, “The Controlled School Market and Urban Schools in Sweden,” 62.
radically differentiate oneself pedagogically have most likely either conflicted with assumptions for how schools ought to behave based on the preexisting institutional environment or scared off too many risk-averse students, compelling schools to broaden their scope or shut down.

Moreover, evidence suggests that most successful educational firms in Sweden have found ways of diffusing this risk. One large educational chain in Sweden, discussed in the next chapter, provides over thirty similar schools and has developed a personalized pedagogical approach that focuses on meeting the diverse and fluctuating needs of students.195 Commenting on this company, one author notes, “The schools use their own teaching curriculum based around 35 steps in each subject. A child is tested when they enter the school and put on the appropriate steps…Pupils get more latitude in how they achieve those goals, whether it is working alone or in a group, by taking breaks in the school day or working extra hard during the day…”196 Another large educational chain, John BauerGymnasiet, instead offers students a diverse range of vocational programs within each school. This is advantageous for two reasons. First, the variety of programs allows students to prepare for the workforce without necessarily being locked into a particular career path. Second, the vocational emphasis also diminishes the uncertainty students face, since it is relatively easy for a student to assess both the quality of a vocational program as well as his or her ability to thrive in a particular career path. Indeed, because of the uncertainty surrounding educational decisions as a result of both

195 CEO of school C, “Interview #10.”
inherent and avoidable transaction costs, there is an incentive to refrain from over-specializing academically and to emphasize the other services offered, which lack the ambiguity endemic to measuring educational quality. In the next section, I will address how organizational limitations may further both of these tendencies.

2.2 An Intractable Problem? A Discussion of whether Improved Regulations can Overcome Market Limitations

This chapter has shown how the confluence of nonacademic preferences and high transaction costs involved in making educational decisions in a market setting has transformed the Swedish school system in ways contrary to Chubb and Moe’s prediction. Together, these market limitations stifle schools’ incentive to adopt unique pedagogical approaches and diminish the ability of consumers to choose schools and hold them accountable based on educational performance, especially when they lack the resources necessary to make informed decisions. While the national and international data supports the hypothesis that these market limitations have a very real and detrimental impact on achievement levels in Swedish, especially on the lower end of the socioeconomic spectrum, it is necessary to assess the extent to which government regulations could be improved to relieve these problems.

On the one hand, the Swedish government has attempted to improve the way it intervenes for the past decade. Indeed, the Social Democrats’ return to power in 1998 and the simultaneous economic recovery have driven an enhanced national emphasis on correcting the inequities engendered by the market.197 In 1998, the National Agency for Education presented a value-added way of measuring school success that

197 Lundahl, “Sweden: decentralization, deregulation, quasi-markets and then what?” 693-694.
takes into account socioeconomic variables, and rates schools based on whether they outperform expectations given the demographics of their students.\textsuperscript{198} Moreover, since 2001, the government has contributed large sums of money to special programs that target “socially disadvantaged areas” in cities.\textsuperscript{199} In 2005, a new system was instituted to equalize funding between wealthier and poorer municipalities, give students the equivalent of 150 Euros a month to attend school, and provide extra grants to students of a lower socioeconomic status and with large commuting costs.\textsuperscript{200} It is therefore perplexing that these interventions were initiated at a time when, according to PISA, Sweden actually was one of the most egalitarian educational systems in the world. Since these reforms the academic results of socioeconomically disadvantaged students have plummeted.

On the other, the Swedish government could undoubtedly have intervened in more efficacious ways. While, as seen in Chapter two, educational theorists differ in terms of what regulations they consider necessary, advocates and critics of vouchers alike would condemn one particular piece of regulation in Swedish. Presently, Swedish high schools admit students based solely on compulsory school grades. School choice theorists universally reject this mechanism for the application process; Chubb and Moe argue that forcing schools to make decisions based on grades denies them of the ability to shape classes in a manner that reflects the mission and pedagogical approach of their school. Egalitarians also reject this proposal because it

\textsuperscript{198} Söderqvist, “School Leaders’ View on Market Forces and Decentralisation: Case Studies in a Swedish Municipality and an English County,” 1013.
\textsuperscript{199} Lundahl, “Sweden: decentralization, deregulation, quasi-markets and then what?” 694.
\textsuperscript{200} Funding of the Swedish school system, 2.
engenders a highly stratified school system and perpetuates the tendency for schools to cream-skim and families to judge a school based on the achievements or socioeconomic status of its student body rather than its mission, educational values, or value-added.

Although this chapter has already documented the ways in which families evaluate school quality based on the students enrolled, a plethora of evidence suggests that schools evaluate in similar ways. Indeed, schools often equate success with the admission of high quality students, rather than the admission of greater numbers of students or increasing their scores dramatically. For example, one administrator discussed how her municipal school had become more successful over the past decade, but said nothing of improvement in academic quality. Instead she described the improvement in terms of the kinds of students applying to her school. At first the applicant pool consisted primarily of poorly behaved and apathetic students, she recalled, but over time her school attracted more motivated and high-achieving students, a development that she considered a valuable end in and of itself.201

Another CEO of a large educational corporation explained, in this vein, that many schools compete by shrinking their enrollment size and therefore enrolling fewer of the students who apply; this automatically raises the average grades of a school’s incoming class.202 Without changing their academic approach, these schools are perceived as more elite. Paradoxically, although the purpose of a voucher system is to promote the expansion of successful models, a school that tries to do just that by

201 Administrator at school F, “Interview #09.”
202 CEO of school C, “Interview #10.”
enrolling more students will simultaneously decrease the average grades of its entering class, making it seem less successful.

Indeed, though a number of indicators are used to assess school performance, because of this application process, the average grade of a school’s entering class is the most commonly used statistic when discussing reputation and quality, simply because this statistic indicates to students whether they are capable of being accepted. This is no different from the norm of comparing colleges in the United States by their acceptance rates. While the tendency to judge a school by its student body may be inherent to any system of school choice, it is certainly exacerbated by this admission policy.

Although changing policies like this may be able to alleviate some of the market limitations contributing to Sweden’s educational performance, evidence suggests that market failures are not the only cause of the deterioration of Sweden’s formerly egalitarian educational system over the past decade. Indeed, one prominent spokesman for independent schools in Stockholm had little to say about the ways in which educational vouchers have incentivized schools to enhance the achievement of traditionally underserved students. “Unfortunately,” he admitted,

“there are not very many examples of operators starting up schools in areas with social problems or something like that. I would be very happy if I could put forward these very good examples of independent schools starting up in socially bad areas and creating good results, but unfortunately I can’t because they haven’t chosen to start up there. That is not what has happened.”

203 Official at the Swedish Association of Independent Schools, “Interview #06.”

In spite of market limitations, it is quite easy to imagine schools with an effective formula for improving the educational outcomes of underserved students
actively recruiting such students from struggling public schools, which would overcome many of the problems associated with high transaction costs and nonacademic preferences. Clearly this has not happened; despite the increased voucher sizes for socioeconomically disadvantaged students, schools in a market setting do not find it economically viable to develop a pedagogy specifically designed to meet these needs.

The following chapter will attempt to determine why this is, shifting its focus from consumers to the actors within a school, analyzing the organizations that have emerged in six Swedish schools over the past two decades and how the characteristics of these school organizations may help explain the dearth of schools that are specifically organized to reach out to and excel at instructing the most underserved students.
3. Capacity and Freedom: The Organizational Characteristics of Swedish schools

The previous chapter argued that while market limitations have certainly had important consequences in the development of educational institutions over the past two decades, they are unable to totally account for the general decline in academic achievement, especially by underserved students. With the goal of understanding why virtually no schools have developed pedagogical approaches for the purpose of educating students most in need, this chapter will assess the impediments to adopting what Chubb and Moe classify as effective school organizations (e.g. strong leadership, professional teachers, and clear and academically rigorous missions), and critically examine their narrative that the combination of school autonomy and market incentives will engender such organizations. However, given the recent literature that describes the organizational characteristics of turnaround or highly successful schools, I will also assess the capability of Swedish schools to develop clan-like organizations (e.g. morally demanding school missions internalized by the staff, and the use of social rather than private incentives in motivating staff).

The most fundamental finding from my analysis of Sweden is that Chubb and Moe’s use of the term school autonomy is drastically oversimplified. They employ the term to denote freedom from government regulation and intervention. But the word autonomy means more than just freedom from external infringement. It implies

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204 Chubb and Moe, Politics, Markets and America’s Schools, 24. They introduce the concept of school autonomy by stating, “We show that private schools are organized more effectively than public schools are and that this is a reflection of their far greater autonomy from external (bureaucratic) control.”
no less importantly the capacity to act as an independent agent. This neglect is deeper than pure semantics; Amartya Sen, a Nobel Laureate developmental economist and philosopher, conceived of a similar approach to welfare economics. He argues that we should focus not just on the resources at a person’s disposal to measure wellbeing, but also assess that person’s capability of using those resources to reach certain goals that are normatively valuable for that person (e.g. life, health, integrity, and affiliation).

Indeed, just because a school is free from restrictions, it does not necessarily follow that it has the capacity to mobilize its resources in pursuit of an agreed upon goal. Swedish educational researcher Linda Rönnberg made this distinction after studying three schools that participated in an experiment to give municipalities discretion over how they distributed classroom hours between subjects. Of the three schools observed, two contained teachers skeptical both of the enhanced school discretion, as well as the school-based reforms actually implemented, such as promoting collaboration between disciplines. She contends that the cynicism of the staff in two of these schools resulted in lower capacity for action, which in turn diminished the ability of either school to act autonomously. Despite increased freedom, school leaders had difficulty implementing the school-based reforms they had initially planned. For this reason, she split up the term school autonomy into two components: freedom of action, which encompasses Chubb and Moe’s use, and capacity for action, which she describes as the extent to which “participating schools make use of and take possession of the discretion provided…”

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206 Ibid., 217.
Deconstructing school autonomy into both freedom and capabilities allows us to ask an important question largely ignored by Chubb and Moe and the debate around school choice: what influences the capacity of schools to pass organizational reforms? Although Chubb and Moe observe that freedom from restriction is correlated with these effective organizations and the bureaucracy of American education tends prohibit the emergence of these characteristics, they provide no analysis of the conditions that are necessary for freedom from regulations to facilitate school autonomy in the broader sense. While Chubb and Moe acknowledge educational theorist Karl E. Weick’s observation that schools are “loosely coupled” in that different components of schools are distinct, retain their own identities, and are often unable to immediately or directly influence one another, they attribute this outcome primarily to the institutional environment in which schools are situated. Although the classification of education as a loosely coupled system predicts the problem of freedom not necessarily translating into the capacity for action, Chubb and Moe assume that this characteristic of schools is a product of the bureaucratic regime from which schools attempt to buffer themselves, rather than a quality intrinsic to schools.

However, in an “The Organization of Effective Secondary Schools,” Bryk et al. give this idea more credence, discussing a similar argument made by Meyer and Rowan that because of loose coupling, schools participate in ritualistic and symbolic

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activities not just to validate school legitimacy to outside observers, but also to emphasize that such practices build internal legitimacy by “encouraging participants to give their best efforts in situations in which reasons for such commitments might otherwise be questioned.” Indeed, while Chubb and Moe write off loose coupling as a vestigial of democratically controlled education, Bryk et al. implore that reform policies need to foster the individual commitment of staff and students so that schools can overcome loose coupling, or in Rönnberg’s terms, achieve a high capacity for action.

The continued existence of loosely coupled school in a voucher system, though not inherently bad, would directly contradict Chubb and Moe’s proposals. Such a state would slow the process of pedagogical specialization, adaption to consumer needs, and innovation. Therefore, this chapter will follow Bryk et al.’s lead and analyze the conditions under which schools have a high capacity for action in a market-based education system. In doing so, it will assume schools require the capacity for action in order to implement the effective organizations Chubb and Moe espouse. It will also assume that schools require a greater degree of this capacity to adopt clan-like organizations, since clan-like organizations require not just conformity, but also the internalization of and a deep commitment to a particular educational mission. Because clans are so effective at improving outcomes for underserved students, this chapter will pay special attention to the ability of markets to promote clan-like organizations, and to whether the designation of a school as for-profit or not-for-profit affects its capacity for action.

209 Meyer and Rowan, “The Structure of Educational Organizations.”
This discussion of organizational characteristics of Swedish schools will be split into three categories, based on the institutional contexts in which these schools are situated. The first category consists of *sovereign* schools, which are independently run and totally free from all external restrictions other than those imposed universally by the national government. *Chain schools*, the second category, are subject to both universal regulations as well as intervention from private authorities within their corporation or organization. Finally, *municipal schools* are subject to intervention from both the national government and the municipal government to which they are responsible. I will discuss two high schools from each category with the exception of one compulsory school.\(^{211}\)

<table>
<thead>
<tr>
<th>School:</th>
<th>Type:</th>
<th>Description:</th>
</tr>
</thead>
<tbody>
<tr>
<td>School A</td>
<td>Sovereign</td>
<td>Psychology and drama focus</td>
</tr>
<tr>
<td>School B</td>
<td>Sovereign</td>
<td>Montessori method.</td>
</tr>
<tr>
<td>School C</td>
<td>Chain</td>
<td>Collaborative curriculums and delineated roles for teachers and principals</td>
</tr>
<tr>
<td>School D</td>
<td>Chain</td>
<td>Vocational and practical educational emphasis</td>
</tr>
<tr>
<td>School E</td>
<td>Municipal</td>
<td>Able to transform and enhance reputation with increased freedom after choice reforms</td>
</tr>
<tr>
<td>School F</td>
<td>Municipal</td>
<td>Political intervention and rigid staff and organization precluded academic reform</td>
</tr>
</tbody>
</table>

*Table 3.1.* List of schools observed by designation, type, and description. Source: Interviews and site visits in Stockholm during the Summer of 2009.

\(^{211}\) School B, a sovereign Montessori school, is the one exception. In the conclusion I will address the need for research to more comprehensively assess the consequences of choice regarding compulsory schools.
To protect the identities of interviewees, I will label the schools A-F (A and B are sovereign schools, C and D are chain schools, and E and F are municipal schools), as shown in Table 3.1. listed above.\(^\text{212}\)

**3.1 Sovereign School: Leadership, Matching, and the Need for Legitimacy**

*3.11 School A Part 1: The Challenges of Instructional Intervention*

School A, though not necessarily representative of other sovereign schools in Sweden, experienced leadership problems that emerged directly from the institutional climate of increased school independence.\(^\text{213}\) In her mid-thirties and endowed with a rich hospitality and vitality, the principal and owner of the school (who will now be referred to as principal A) was originally a psychology teacher. She founded school A in the fall of 2007 after being dissatisfied with her limited independence at the municipal school where she had previously taught. The principal described many frustrating characteristics of this municipal school that provoked her entrepreneurial ambitions. Acquiring extra funds for special projects, for example, was a laborious process, requiring her principal to relay demands even for insubstantial amounts of money to local politicians. Further, she had frequent disagreements with the principal’s managing style, and was dissatisfied with the public school schedules. The school day started at 8:00 am and ended at 6:00 pm, but included many breaks

\(^{212}\) Because I cited a secondary source concerning one of the schools I interviewed at, it is possible to discover the person whom I met with. This person was notified and has consented to this risk, dismissing the need for further action to protect his or her identity.

\(^{213}\) Principal of school A, “Interview #04.”
throughout the day during which students would leave campus, often getting into trouble.

Fueled by these grievances, the principal founded school A to eliminate the inefficiencies and irrationalities of the municipal school. Her school starts later (at 9:00 am) and dismisses students earlier (at 3:00 pm), but has no long breaks during the day, besides the half hour set aside for lunch. Classes last for two hours instead of one, and contain one hour of lecture, a fifteen minute break, and then a 45 minute activity to reinforce the lessons, engage the students, and provide an alternate way of understanding the material for those who are not especially well suited to the lecture format. Finally, her school has an interdisciplinary focus. It specializes in psychology and drama, which she hopes will complement each other well and improve students’ social competences in all other subjects. Of course, she recognized at the founding that such an integrated and specific pedagogical approach would require a cohesive, collaborative, and philosophically engaged staff to implement her ideas.

As a result, she designed a questionnaire to make sure the pedagogical approaches of teacher applicants were in harmony with her own. However, even though she was able to choose her staff of under ten from the forty teachers who applied, she found in time that the teachers she hired began to object to her methods of running the school. When she confronted them, saying that they knew her expectations at the outset, teachers responded that they were desperate for work and therefore exaggerated their interest in her educational approach to ensure that they got a job. Because of union protections, this nonconformity was not in itself enough to fire anyone; the amount of evidence and documentation needed to build a case could
take 200 hours per teacher. Since the principal lacked administrative support at her small school, and even devoted much of her time to serving as the school’s psychology teacher and guidance counselor, this all but precluded her from firing—or threatening to fire—teachers for their refusal to enthusiastically adopt her school’s mission.

But her inability to influence how teachers taught did not totally interfere with her capacity to shape the organization of her school. Indeed, principal A has still been able to keep her ideal schedule that ensures less downtime for students throughout the day and a unique mix psychology and drama classes. Only when her demands interfere with teachers’ professional discretion in the classroom are the former compromised.

For example, one of her school’s goals is continual, rigorous self-evaluation, which consists of students writing in weekly journals to outline and assess their achievement of certain goals. However, in practice, only a very small percentage of students take this time seriously, which she attributes to her teachers disagreeing with the usefulness of the exercise. She believes that when the teachers begrudgingly engage in particular activities their lack of enthusiasm and commitment undoubtedly spreads to the students.

This difficulty is also evident in her attempt to implement another unique educational technique in the second hour of classes. At this time, teachers are supposed to reinforce material in new and different ways, such as role-playing activities intended to complement the school’s drama and psychology specializations. Once again, these activities were often either ignored or implemented unsuccessfully
in cases in which teachers did not believe in their pedagogical utility. Indeed, because school A lacked both teachers who enthusiastically engaged with the instructional aspects of its unique educational mission and administrative support to assist (whether through coercion or support) in their adoption of such practices, any instances of philosophical discrepancy between the school and teachers’ discretion resulted in the former being sacrificed for the latter. Thus, while school A was capable of specializing in ways that did not infringe on teachers’ professional autonomy (such as through certain course offerings, school schedules, school infrastructure, etc.), it was unable to mobilize teachers to adapt particular academic philosophies.

Other studies have documented how teachers are increasingly regulated in their duties outside the classroom since the market-based education reforms in Sweden, which could be explained by the organizational difficulty of infringing upon teacher professionalism within the classroom. Indeed, even principal A, whose goal was to build a trusting and harmonious staff, admitted that these kinds of inherent conflicts forced her to become more of a micro-manager in instances where she could control teacher behavior.

While union protections undoubtedly made it more difficult for her to mobilize teachers around her school’s unique approach, the challenges she experienced would likely have emerged even without this high cost of firing teachers. The principal was satisfied with her teachers’ popularity among students and believed that while half did not take the school’s pedagogy seriously, all were effective

teachers. Therefore, she would undoubtedly have been hesitant to fire too many teachers simply because they did not agree with her educational approach. Moreover, since her school lacked administrative support it would be difficult to identify teachers who constantly strayed from school A’s mission and either work with them to adopt such practices or find new recruits more willing to cooperate. Although teachers in school A may not have been so upfront or transparent about their refusal to partake in the principal’s policies, it is unlikely that less teacher job security would have mitigated her organizational challenges dramatically.

It is hopefully clear by now that in the case of school A, freedom from external restrictions does not necessarily translate into the capacity to implement effective organizational reforms. I will now discuss why this is so, and whether school A’s organizational problems are exceptional, or characteristic of schools in market-driven education systems. To do this, more analysis of the factors contributing to school A’s lower capacity for action is needed.

### 3.12 School A Part II: Markets, Legitimacy and Problems of For-Profit Schools

One discernable way to enhance capacity for action would be for inspirational leadership to persuade teachers of the value of a school’s pedagogical approach—that the gain from everyone conforming to the school’s model is worth each teacher sacrificing his or her own professional judgment. Principal A argued that due to her young age and the fact that she was a woman, many older or male teachers might have been less inclined to trust that restricting their own professional discretion in favor of her practices would enhance learning for students. She also feared that these
problems of leadership could be exacerbated by the fact that she was running a business, that is, profiting from educating students. Even though she always acquiesced to budget requests, principal A discussed how teachers were suspicious of her profits every year, and would protest if her profit margins were higher than other neighboring schools, especially since profits come at the expense of reinvestment in salaries, supplies, furniture, and other educational inputs teachers care about.

She continued that people in Sweden have an inherent discomfort with this confluence of self-interested profit maximization and the provision of what is traditionally understood as a public good, especially because of the pervasiveness of egalitarian norms in the country. This makes it more difficult for her to translate property rights over her school into legitimate authority to overrule teachers’ professional judgment.

Indeed, the dual functioning of the principal as both CEO and educational leader is inherently paradoxical. The teachers saw her as being pulled in two contradictory directions: her social obligation to use tax dollars to provide her students with the best education possible, and her monetary incentive to maximize profit for herself. Regardless of whether, as many would argue, her quest to maximize profits would lead to the best use of tax dollars, the teachers perceived these two tendencies to be in opposition to one another. The principal described how this perception among the teachers influenced her perceived legitimacy:

“The hard thing is they know that I own this company and they look for figures. ‘Aha!’ Someone told me. ‘You make twelve percent profit this year? Another school only made six.’ I know that they look! And I gave them everything that they
want…but I think that it’s hard for them. We live in a socialistic country, and it’s a little bit ugly to make money because this is taxpayers money…”

These tensions arose even though she is technically paid a salary, based on common practice for principals in Sweden. Despite this, teachers grew skeptical of her high profit margins, even though she argued they were necessary to deal with the declining population of students over in Stockholm over the next few years.

This general distrust in the motivations of principal A has resulted in tension in many other major aspects of the school. While teachers at municipal schools are required to work a minimum of 40 hours a week with at least five weeks of vacation, principal A gives her teachers twelve weeks of vacation, and in return asks them to work 45 hours a week (35 at school, and ten at home—a requirement of Swedish unions). While many principals watch over teachers to make sure that they stay in school for the full 35 hours a week, she wanted to trust her staff, and on principle does not look at their time-schedules to make sure they leave at the appropriate time. However, she describes how now teachers often complain that they are being worked too hard, which compels her to ensure that they are actually at school as long as they are supposed to be.

Indeed, principal A suffers from a dearth of legitimate authority. Employing Weber’s tripartite definition of authority, her contradictory status as educator and business owner in a competitive marketplace precludes her from exhibiting charismatic authority, and her pedagogical mission is not already accepted or subscribed to by a large enough group to be considered a form of traditional

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215 Principal of school A, “Interview #04.”
authority. Finally, her school lacks the aged and democratically infused bureaucracies that in most cases bestow public school leaders with rational-legal authority. William Ouchi argues that this deficit can be destructive for two reasons: it makes it more difficult for superiors to assign work on an *ad hoc* basis without conflict or the need for new contracts, and it increases the costs of effective performance evaluations. As evidenced by the previous discussion, the costs for principal A to evaluate teachers or assign new tasks increased substantially because she had no legitimate authority according to her co-workers, in many ways precluding her from ensuring pedagogical specialization and academic quality.

Another way in which a school could increase its capacity for action is by having strong institutions, in the form of strict, measurable regulations and internal inspections to ensure compliance, not unlike the kinds of bureaucracy that pervades democratically controlled schools. As evidenced by the Harvard Initiative’s report, administrative support is essential to helping teachers adopt the school’s mission. Due to school A’s small size and limited administrative capabilities, there are few resources available to devise strict regulations teachers must follow, measure their compliance, document their performance over time, and reward, punish, or assist them accordingly. Indeed, despite feeling like pervasive distrust among staff members had forced her to become a micro-manager, the principal actually interfered little with

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216 Weber, *From Max Weber: essays in Sociology*. Weber defines Charismatic authority as emanating from the virtues or mission of one inspired leader, traditional authority as deriving from shared customs, histories or values and rational-legal authority as tied to rationality, legal legitimacy and bureaucratic organizations. Ouchi argues that bureaucracies derive their authority rational-legally, while clans utilize traditional authority.

what occurred in the classroom. In a survey completed by all but one of the teachers, all rated their professional autonomy as a four or a five on a scale from one to five (with five being total freedom to run their classes as they saw best).

Because there were disagreements regarding both educational values and how to measure and adequately reward performance—teachers wanted professional autonomy while the principal expected them to adopt her pedagogical methods—the transaction costs of ensuring compliance were prohibitively high. Indeed, although school A suffered from the bureaucratic failures that Ouchi describes, it lacked the ability to select already pedagogically dedicated and aligned teachers, leadership powerful enough to inspire teacher conformation, and the administrative personnel necessary to support and ensure compliance to its philosophy, all of which are necessary to fix bureaucratic failure by adopting clan-like organizations. Moreover, because of the philosophical misalignment between the principal and teachers, the latter did not regard attempts to enforce strict performance evaluation and payment as equitable and fair. These attempts were therefore abandoned in favor of letting teachers act autonomously in the classroom at the expense of school A’s distinct pedagogical approach.

Thus, since school A lacked the high capacity for action necessary to autonomously mobilize around certain educational goals, it was unable to successfully implement either bureaucratic or clan-like organizations, and instead teacher autonomy emerged only at the expense of, rather than because of school

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Ouchi argues that when the ambiguity of performance evaluation is too high it will become prohibitively expensive to ensure quality without aligning the values of the staff of an organization.
autonomy. Though this will be considered more comprehensively in the following chapter, the likely outcome of this tension is that decentralized schools without a high capacity for action can provide only minimal evaluation, regulation, and support for teachers to ensure educational quality and pedagogical specialization.

3.12 School B: A Means of Reconciling Clans and Markets

Although school A was unable to attract teachers who had already bought into the school’s mission, organization, and requirements, doing so would have solved most of the aforementioned problems. Indeed, Rönnberg confirms this by stating that only when the preferences of teachers are not aligned with the goals of the institution does the capacity for action require teachers foregoing professional autonomy.219 When only teachers with congruent educational and instructional philosophies are hired, they can simultaneously be professionally autonomous while still conforming to a school’s mission because the two are no longer in tension with one another. While managing to perfectly select teachers seems like an insurmountable task based on the experience of school A, the case of school B elucidates how under specific circumstances it is feasible.

School B taught the Montessori method, a unique pedagogical approach premised on the belief that children are endowed by nature with certain inner-directives, which can only be cultivated if children are allowed and encouraged to pursue self-guided learning. Teachers who want to teach at Montessori schools must first receive extensive training in the Montessori method. Because of self-selective

forces that channel teachers already curious and passionate about the Montessori method into training programs, by selecting graduates of such programs schools will be able to hire only those teachers who are very likely to agree on fundamental educational principles and the best ways of running a classroom.

The assistant principal of school B discussed how the shared educational values among the staff acted as a glue that held her team of teachers together with little conflict, and she felt absolutely comfortable giving her teachers the autonomy to instruct as they saw best within the Montessori framework.\footnote{220} Indeed, she encountered none of the problems of leadership, authority, or disharmony that at times disrupted school A. Indeed, in the case of school B, the perfect matching of teachers to schools in terms of educational values and pedagogical training allows for a high capacity for action. Furthermore, the experience of school B seems to be representative of many of the other Montessori schools in Sweden. One study argues that teachers at Montessori schools in Sweden have a “fundamental philosophical and pedagogical awareness of what their professional role implies and, as a consequence thereof, genuine feelings of care and concern for their students based on freedom, respect and the holistic perspective.”\footnote{221}

However, it deserves note that school B was situated in a wealthy part of the Stockholm, and therefore served a relatively advantaged group of students. Although clans are not usually economically efficient in these contexts, clan-like organization could emerge in school B because it did not have to bear the costs of instilling

\footnote{220} Assistant Principal School B, “Interview #11.”
\footnote{221} Malm, “Constructing Professional Identities: Montessori teachers’ voices and visions,” 402.
dedication and aligned values in its teachers. But unlike the clans pervading Catholic schools and those described in the Achievement Gap Initiative, the Montessori method is not constructed for the specific purposes of educating underserved students. As a result, despite a clan-like dedication, Montessori teachers may need additional administrative support, leadership, and inspiration to succeed in more challenging environments.

Nevertheless, it is possible that the proliferation of specific educational philosophies with corresponding intensive training for teachers and administrators could help schools achieve clan-like organizations relatively cheaply. But without such training, it is unlikely that schools will be capable of finding teachers who agree on enough issues to ensure that even without strict performance evaluation or inspirational leadership, professionally autonomous teachers and staff harmony can emerge alongside a ubiquitous school-wide educational mission. Even though educational organizations with particular pedagogies and corresponding training programs are free to spread in Sweden, as of 2010, no new philosophies have flourished in Sweden that require a particular training, though a significant number of Montessori and Waldorf schools have received public funds as a result of the voucher reform.

3.13 The Sovereign Firm

The Swedish school reform has also, and rather unexpectedly, given rise to a number of large educational firms, which encompass an increasing share of independent schools. Some of these companies are more focused on investment and
venture capital—they buy schools, or smaller chains of schools, at a nascent stage hoping that their value will increase in time, but do not force them to subscribe to a particular educational method or business organization. The best example of this business model is the corporation Academedia, which has acquired a number of schools and educational firms, and now serves approximately 22,000 students in primary and secondary education. Their core educational philosophy is broad enough to encompass almost any kind of school, “Our philosophy: quality pays. Academedia runs training activities with a long-term perspective and high quality. Our schools and businesses are independent, but share common quality standards. We want everyone to demonstrate good educational and cognitive performance.”

While the development of this phenomenon is interesting, such schools should still be considered sovereign to the extent that they are granted freedom for action from owner regulations.

### 3.2 Chain Schools: Are Effective Organizations at Odds with One Another?

On the other end of the spectrum are educational firms that produce schools that conform to a specific organizational and pedagogical model. While the development of these large, standardized, chain-schools challenges Chubb and Moe’s contention that integrating market forces would lead to decentralized ownership and greater autonomy for individual schools, their success documents how limiting the

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222 AcadeMedia, “AcadeMedia är Sveriges största utbildningsföretag.”
autonomy of both teachers and principals can enhance the capacity of action of the firm as a whole.  

3.21 School C: Bureaucratically Facilitated Pedagogical and Organizational Specialization

This tradeoff can be seen clearly in school C, one of the largest educational firms in the Sweden, serving over 10,000 students in more than thirty primary and secondary schools. The CEO described school C’s standardized model, in which there is not very much room for principals, whose roles are limited to hiring, firing, and understanding the local climate. They have no authority over budgets, and although involved in the major decisions, their advice is often rejected in favor of centralized analysis based on aggregate data. Ironically, he compares the autonomy of principals to that of middle managers at a firm, an analogy Chubb and Moe used to critique the principals in a public school system. The company’s trust in centralized analysis over the views of principals, an outcome that has stood the test of market competition over the past thirteen years, challenges Chubb and Moe’s belief that principal autonomy is necessary to maximize efficiency in the context of diverse local conditions.

The CEO explained that teachers in his schools are granted autonomy only insofar as they use it collaboratively. Teachers in each subject area across all schools work together online to construct a curriculum and prepare course materials, which

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224 CEO of school C, “Interview #10.”
225 Chubb and Moe, Politics, Markets and America’s Schools, 56.
they are then required to use in their lessons. He argues that if the teachers are part of the process, then their lesson plans will reflect their own work, and should not feel alien to them.

This standardized and collaborative mode of curriculum construction allows his school to take advantage of economies of scale and direct surplus resources towards enhancing their unique educational mission. Instead of placing the burden of curriculum design on individual teachers, such that thousands of hours are wasted as hundreds of very similar lesson plans are crafted independently each night, his school capitalizes on its large pool of teachers so that each one needs to put in only minimal effort while contributing to a curriculum that everyone will use.

With more free time on their hands, teachers are assigned new responsibilities that allow schools to provide an educational experience different from their competitors. It has designed an educational model that takes the individual development of the student as its starting point, rather than the traditional classroom. Teachers therefore tend to work one-on-one with students, rather than educating large groups at a time, and are able to do so because they do not need to commit themselves as frequently or intensely to curriculum design. Indeed, while teachers normally spend only twenty hours a week working directly with students, his company has been able to increase that number to thirty.²²⁶

Therefore, the CEO said that school C still manages to grant teachers a large amount of discretion in this aspect of their work, even though their lesson plans are more tightly regulated. He continued that teachers know how the school is organized

²²⁶ Hatcher, “Anti-Academies Alliance Briefing on Kunskapsskolan.”
as they begin the application process, and therefore are usually excited to be a part of school C’s model. He argued that after the initial shock of transitioning, teachers often find the collaborative process challenging, fruitful, and interesting. They are even treated with a great deal of professionalism despite their restricted role; school C offers many professional levels and avenues for promotion for the most ambitious or successful teachers.

Although school C’s reputation and clear roles for teachers facilitates the process of attracting staff who are well suited for their organization, personnel problems can still surface. While, just as in school A, teachers who refuse to conform to the curriculum or meet school expectations cannot easily be fired, school C has enough administrative support, measurable criteria, and internal accountability to be able to either help these teachers or “bully” them out of work (in the words of the CEO), by constantly focusing on their poor performance and delineating plans for improvement. Although this is a difficult process, strong institutions have allowed school C to get rid of ineffective teachers without the need for litigation. Thus, while principals do not have very much discretion, they have both the autonomy and the institutional support necessary to seek out and retain only teachers who are compatible with the company’s pedagogy. Indeed, the ability for school C to maintain the high capacity for action necessary to mobilize its staff around a pervasive mission and efficient organization is predicated upon its strict regulations, administrative support, and internal accountability mechanisms.

The experience of school C elucidates another way in which Chubb and Moe’s definitions are oversimplified. They stress the importance of teacher
professionalism in schools, which, “requires not simply that teachers be experts in
their subject matters and the methodology of learning, but also that they have the
autonomy to exercise discretion in applying it to the infinitely varying individuals and
circumstance that make up their jobs” but never comment on how expertise can be
cultivated, rather than just utilized freely. Once again, they stress the need for
freedom from intervention, but comment little on the means of enhancing teachers’
capacity to teach effectively, which may require more than just increased freedom.

Indeed, a teacher in a total vacuum would be absolutely free from external
restrictions, but would also lack many critical factors that could enhance his or her
competency, such as training, peers with whom to collaborate, guiding curricular
standards, etc. Some forms of regulation and intervention are necessary so that
teachers have the skills and guidelines necessary to mobilize their freedom to the best
of their ability. Although school C limits teachers’ freedom of action, the CEO
believes that this restriction is liberating, since it gives teachers the capability to
spend more time working one-on-one with students, while simultaneously enhancing
the quality of the lessons they teach through collaborative action.

In Sweden, the CEO of school C is not alone in believing that external
intervention can enhance the capabilities of teachers. In fact, everyone interviewed
(including teachers, principals, students, and even the leader of the teachers union in
Stockholm) was generally in favor of one major form of intervention: national tests.
Teachers see the tests as largely facilitative, helping them gauge how well their

227 Chubb and Moe, Politics, Markets and America’s Schools, 36.
228 Cribb, Sharon, “Unpacking Autonomy and Control in Education: some
conceptual and normative groundwork for a comparative analysis,” 209.

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students are performing in relation to the rest of the country, while providing them with a means of measuring grading standards relative to national benchmarks.  

Leaders I met with of municipal, sovereign, and chain schools also shared this opinion, and saw national tests as a way of ensuring that learning was taking place and grading was fair inside the classroom. Other surveys have come to similar conclusions. One found that head teachers regard national tests as an aid in the process of directing the schools towards national objectives, while another established that 95% of English teachers thought that national tests were both fair and equal in assessment and grading. One public school teacher summed up this view of national tests, stating, “Most of the teachers appreciate the tests because they provide an opportunity to control how we perform compared to others. We need some kind of conformity in education and between schools, a standard everybody has to reach.”

Other studies have confirmed the converse of this more nuanced relation between teacher professionalism and freedom, arguing that a competitive market that simultaneously enhances teacher freedom can diminish the capacity for teachers to use their skills effectively. One study analyzing a municipality’s public schools in the mid-1990s found that despite freedom from regulations, teachers were subject to

229 President of the Teachers Union, “Interview #15.”; Teacher School F, “Interview #05.”
231 Bergqvist, “I am a friend of the National Tests’: How Teachers Perceive the National Tests in English,” 11.
increased demands from parents, and new and burdensome responsibilities. Another argued that principals complained that competition increases administrative and economic duties that hindered the achievement of pedagogical goals, and made teaching less about the learning that actually took place in the classroom. A final study found that as a result of educational reforms in Sweden, teachers were more vulnerable to un-codified but nonetheless oppressive external pressures engendered by markets. Indeed, just as intervention is not necessarily restrictive, market-facilitated freedom is not necessary liberating for educators.

The contentedness of teachers in school C with their restricted autonomy could also stem from self-selection. School C’s large size and clear mission, predicated upon an ambition and ability to restrict teacher freedom so that it can provide strong curricular support, is well established enough to ensure that teachers know at the outset exactly what professional freedom they will be sacrificing. It is likely that only those teachers who want to spend less time writing lesson plans and more time working with students will therefore apply to school C. In the contrasting case of school A, either the philosophy was not well established among applicants, or the stringency with which it could be enforced was uncertain, and as a result teachers who did not subscribe to the school’s approach still applied to teach there. Indeed, these juxtaposed examples elucidate how economies of scale and strong institutions can not only help guarantee the obedience of employed teachers, but also may ensure

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235 Bergqvist, “I am a friend of the National Tests’: How Teachers Perceive the National Tests in English,” 11.
that only the best-matched teachers are hired. All of these factors enhance a school’s capacity for action.

However, despite its high capacity for action, school C was clearly organized bureaucratically rather than as a clan. This is not to say that it was totally void of non-private incentives. The company relied on a dense institutional framework, the legitimacy of which was rooted in a rational and collaborative ethos. When teachers complained about using externally imposed lesson plans, the collective authority of all the teachers who worked on that curriculum was invoked to overrule their objections; when the central administration overturned the discretion of principals, they did so because empirical analysis indicated that other routes would more efficiently enhance scores and family satisfaction.\textsuperscript{236} The CEO argued that if there was just one principle that pervaded these interactions, it was that better educational results could be achieved with fewer taxpayer dollars.

Nevertheless, school C still appeals to the private incentives of teachers in many ways, offering them competitive pay, more time to work with students, freedom from the burden of constructing curriculums individually, and many tracks for promotion. Moreover, it does not organize around the potentially inspirational and supportive role of school leaders necessary to compel staff to internalize a morally infused educational mission. Instead, principals have rigid and delineated roles that are more administrative and managerial. Beyond the pragmatic concern for cost-effective education, principals use no message or encompassing social goals to motivate teachers amid inevitable and infrequent challenges.

\textsuperscript{236} CEO of school C, “Interview #10.”
One explanation for this lack of clan-like organization is simply that institutions like school C do not need to adopt such a culture in order to improve scores and attract students. The students they serve are often highly motivated and therefore it may be a waste of money to invest in unneeded clan-like, rather than bureaucratic, organizations. However, if we broaden our analysis to include chain schools in the United States, we will see that other for-profit schools—even those that seek under-served students—share organizational characteristics and limitations comparable to those of school C.

3.22 American Chain Schools: Searching for the For-Profit Clan

In “Realizing the Promise of Brand-Name Schools,” Steven Wilson, the former CEO of Advantage Schools (a for-profit firm) and Senior Fellow at the Kennedy School of Government, describes how for-profit chain schools steer away from strong, motivational leaders, and instead favor obedient managers blindly allegiant to central regulations.\(^{237}\) This is a counter-intuitive personnel preference given the need for strong leadership in rising schools, and therefore aptly labeled the “paradoxical requirement.”\(^ {238}\) For-profit chain schools demand this kind of principal because inspirational leaders often end up straying from the restrictive regulations required by the firm. Wilson observes this tendency in a comprehensive study of seven of the largest private educational management organizations in the United States, of which six are for-profit, and the seventh, KIPP (the Knowledge is Power Program), is not-for-profit. Wilson argues that for-profit firms also rely on a high

\(^{237}\) Wilson, “Realizing the Promise of Brand-Name Schools,” 103-104.
\(^{238}\) Levin, “Comments: Realizing the Promise of Brand-Name Schools,” 127.
degree of curricular prescription for teachers, granting them much less autonomy in running their classes.

What separates KIPP from other for-profit chain schools is the way it selects and trains its staff. The organization attracts teachers and leaders with an appeal to “join the movement.” This differs from the bureaucratic job postings by for-profit firms, suggesting some degree of self-selection to attract only those motivated by social rather than private incentives.\(^{239}\) Principals are also required to either attend an intensive one- or two-year training program, during which time they are inculcated with the methods, educational values, and culture of KIPP schools.\(^ {240}\) Because future principals are already likely to be enthusiastic about KIPP’s mission, KIPP trusts that their values after training will be well aligned, and therefore provides them with great autonomy in running their schools and hiring staff—principals are free to individualize the KIPP approach to fit their individual assets and local surroundings.\(^ {241}\)

This same process of self-selection and indoctrination takes place for teachers. Only six percent of teacher applicants are chosen, and they too are subject to a month of KIPP training.\(^ {242}\) Although they have general freedom over course content, classrooms tend to look the same because teachers are often required to organize their lessons in very specific ways in terms of behavioral management, homework


\(^{240}\) Macey, Decker, and Eckes, “The Knowledge is Power Program (KIPP): An Analysis of One Model’s Efforts to Promote Achievement in Underserved Communities,” 233.

\(^{241}\) Bennett, “Brand-Name Charters.”

assignments, classroom activities, slogans, etc.\textsuperscript{243} To ensure these outcomes, principals play an active role in the teaching process, ensuring that teachers are effective and committed to KIPP, offering support if teachers are struggling, and firing persistently unsuccessful teachers.\textsuperscript{244}

As a result of these measures there is a pervasive KIPP culture among all staff. One study observed that “school leaders and teachers tirelessly promoted the KIPP message and, consequently, the KIPP mission holds a prominent place in both the large-scale school operations such as admissions and in the day-to-day operations of the school.”\textsuperscript{245} Indeed, these norms become self-enforcing, such that “‘all’ teachers are committed to do ‘whatever it takes to close the achievement gap,’” and those who are not always driven to do more are looked down upon by their co-workers.\textsuperscript{246} These characteristics—using selection and indoctrination to appeal to purposive and social goals rather than private incentives—both epitomize KIPP’s clan-like organization and are arguably the key to specializing pedagogically in ways especially successful for underserved students.\textsuperscript{247}

The point of this comparison is to contrast KIPP’s organization with that of school C. One is the most successful chain of schools in the United States, and the

\textsuperscript{243} Macey, Decker, and Eckes, “The Knowledge is Power Program (KIPP): An Analysis of One Model’s Efforts to Promote Achievement in Underserved Communities,” 234.
\textsuperscript{245} Macey, Decker, and Eckes, “The Knowledge is Power Program (KIPP): An Analysis of One Model’s Efforts to Promote Achievement in Underserved Communities,” 227.
\textsuperscript{246} Ibid., 232.
\textsuperscript{247} Ritter, Maronto, and Buck, “Harnessing Private Incentives in Public Education,” 261.
other is the most successful chain of schools in Sweden. However, unlike school C, KIPP targets and is especially adept at educating socially disadvantaged students. School C, on the other hand, has no such mission. It is possible that school C simply does not aim to serve high-need students, a tendency which may be exacerbated by the Swedish high school admissions process; recall from the previous chapter that this is based on test scores, and therefore equates schools serving poor-performers with low performing schools, providing incentives to cream skim. However, the stark contrast between each for-profit firm and KIPP emphasizes that there could be greater forces at work.

Indeed, it is likely that for-profit chain schools are less capable of engendering the kind of pervasive, morally-infused school missions necessary to successfully educate low-achieving students, even with supportive and efficient institutions. This can be evidenced by the fact that corporations developed in the United States specifically to educate students in struggling districts still favor bureaucratic organization over the clan-like organizations that work extraordinarily well for their not-for-profit counterparts. Since their inception, all of these for-profit chain schools have had failing track records both financially and academically. I would contend that if these schools were capable of achieving such a clan-like organization that fostered leaders and teachers inspired by a shared academic mission, they would.

I have thus far contended through the example of school C that by limiting the autonomy of teachers and principals, some for-profit chain schools have the capacity to adopt unique organizations and instructional methods, but not to adopt clan-like

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248 Levin, “Comments: Realizing the Promise of Brand-Name Schools.,” 128-130.
organizations. However, not all chain schools in Sweden share the for-profit model of diminished teacher and principal autonomy with school C and the United States. The following case emphasizes another way schools in a marketplace may develop.

3.23 School D: Harmony and Teacher Professionalism through Vocational Education

School D, which is part of an educational firm that runs sixteen schools specializing in various vocational programs, allows principals to be fairly independent despite its centralization. One such principal traced this independence, as well as the harmonious relationships with her superiors, to her agreement with the school’s pedagogy, which emphasizes practical approaches to learning. However, she noted that beyond shared values, the productivity of their relationship despite the heavy centralization was possible only insofar as superiors listened to her views on the local conditions and needs of her particular school, especially when the budget for each year was planned.

While teachers at the first chain develop curriculums directly without principal interference, the principal at school D can determine major themes that unite the various classes in light of Swedish national objectives. She works collaboratively with teachers, assigning one as lead for each theme so that there are common threads among each discipline and a generally coherent curriculum. This rather informal sharing of duties allows for a form of accountability based on principal observance that does not interfere with the autonomy of teachers. But such accountability

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249 Principal of school D, “Interview #01.”
requires a relatively small school size: school D has fewer than one hundred students. Otherwise, there would be too many classes for one person to supervise adequately.

The principal is also able to cultivate a harmonious yet accountable relationship with teachers because of her autonomy to pay them based on subjective observations. She constructs a salary plan with teachers in the fall based on the ambition of the teachers’ agendas and the extent to which they accomplish their goals by the spring. As a result, the teachers are all very eager to share with her what they are doing in the classroom.

Yet, underlying these developments is one critical distinction between the intention of school D and those of school C and firms in the United States: school D has no academic mission that requires the enthusiastic commitment of teachers. Instead, school D specializes by offering “practical” education, or programs that prepare students directly for particular industries. The most popular programs at school D, according to its website, equip students to become hair stylists, horseback riding guides, sports coaches, IT technicians, or veterinarians. It is possible that teacher and principal autonomy are able to simultaneously flourish because school D has no academically rigorous mission that necessitates greater infringements upon teacher professionalism, especially when this strict supervision can challenge the legitimacy of principals and increase transaction costs. While this vocationally oriented school is perhaps able to please students and families, it is unlikely that with neither an academically rigorous focus nor a morally pervasive school mission it could significantly improve academic achievement.
3.3 Municipal Schools: The Paradoxes of Organizational Rigidity

Chubb and Moe argue that preexisting public schools can remain under the jurisdiction of municipalities (or districts), and that the incentives for local politicians engendered by the developing market system would result in the reforms necessary to compete with neighboring schools. Bureaucracy would not survive in this decentralized marketplace, and politicians would have to replace their carking dogmatism with a pragmatic drive to keep schools afloat, lest they are held politically responsible for the outpouring of municipal funds to independent schools, and eventual school bankruptcy. Indeed, given the advantages of school-based authority, it can be assumed that Chubb and Moe expect the same institutional transformations to take place in public schools. Politicians will realize that granting principals discretion over educational matters is the best way to compete, and municipal principals, like their counterparts in independent schools, will hire, organize, and pay their staff in a way that maximizes cohesion, productivity, and professionalism.

3.31 School E: From Crisis to Clans?

The experience of a former principal of municipal school E during the 1990s illustrates the step-by-step manifestation of Chubb and Moe’s logic in Sweden. She described the tumultuous effects of higher competitive demands, less money (due to the recession that hit Sweden in the early 1990s), and increased autonomy as a

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250 Principal of school E, “Interview #02.”
principal as targeted grants were replaced by block grants, leaving allocation decisions up to the municipality:

“After the reform I got free to make my own decisions within the frames that I had. We were more steered earlier as a principal. The schedule had to have a certain form, you didn’t own your own budget because it was earmarked, it was a lot of steering that just went away during the night, and then you had your own budget ….it was very little money but you could do what you wanted with it. I wanted to have a specialization with Swedish drama…I could start working with teachers on different levels, I started project groups, development groups, things just to raise the schools’ standard or quality, because we had a new curriculum at the same time, in 1994, a national curriculum…..Schools like mine had to compete, had to be better, had to create a new reputation. So we really had to do something creative.”^251

Paradoxically, the confluence of external distressing factors—the recession, increased competition, and a struggling reputation—all gave her school’s municipal politicians the incentive to pass on the increased discretion they had recently received from the state directly onto her, so that drastic, creative reforms could be implemented in the hopes of improving the school’s performance. Indeed, what drove municipalities to increase the discretion of principals was not necessarily the same ideology that spurred the previous national reforms, but rather a pragmatic need to increase performance in the context of a more competitive market.

Once the principal of school E was given more autonomy to lead effectively, she was able to transform it in such a way that corresponded with the values and interests of her teachers. Even though she was working with a more limited budget, she was able to utilize her expanded independence to reorganize the teachers more efficiently, so that academic goals were not sacrificed. She explained,

“I talked to teachers; we did a priority list, and when they felt they had something they could influence, that we could create something together, because we wanted more students… we agreed upon certain things then we started to work….I got an

^251 Ibid.
incredible enthusiasm and braveness and inspiration from all the teachers and that was also something that they transferred to the students...And that is not the money, its about hope, its about setting goals, its about going in the same direction...I was free to do things and priorities, and I could use the teachers for things that they liked…which was a dream for some of them. So they worked harder, even though they had less…”

As Chubb and Moe predict, her enhanced autonomy trickled down to the teachers, who were now liberated to influence the direction of the school, and motivated to follow through with these ambitious school-based reforms. Enthusiasm and social cohesion inevitably emerged as all parties were equally invested in their shared priorities. The principal did not even have to hire a new staff whose agendas were more aligned with her own to accomplish this result. She was instead able to translate teachers’ goals and priorities into a broader agenda of increased competitiveness and improved reputation.

Indeed, principal E could capitalize on the impending desperate situation to transform the bureaucratically organized school into a more clan-like organization, in the sense that she mobilized her staff around similar educational values and goals. As discussed, her inspirational leadership ability, a relatively persuadable and open-minded staff, and strong administrative support helping teachers adjust to the new educational direction facilitated this transformation.

However, a few serendipitous factors may prevent this principal’s experience from being representative of all public schools during the reform. First, not all schools will be staffed and organized in such a way that increased freedom could lead to radical reform. Even though the principal described her school as a *Titanic* for its

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252 Ibid.
gargantuan size and rigid organization, it consisted of staff that in spite of inevitable differences agreed upon a new direction for the school, as well as a principal capable of translating the heterogeneous teacher aspirations into an inspiring reform agenda.

Second, the principal noted that these changes mainly took place because of her school’s already weak reputation, which suddenly diminished its revenue once students were able to attend other schools for free. Other municipal schools with stronger reputations may not have had the same drive and authority to implement such far-reaching reforms.

Finally, although research suggests municipalities have the incentive to grant schools more autonomy in response to market competition, not all municipalities may respond in this fashion and could instead attempt to implement reform themselves against the wishes of school leaders. Still, it is important to recognize that even without a perfectly matched staff or already efficient institutions, school E had capacity to implement reforms thanks to the principal’s leadership and the generally enthusiastic staff.

3.32 School F: Choice without Freedom, Change without Capabilities

The alternative outcomes for municipal schools as a result of the voucher educational reform can be illustrated by the experience of municipal school F, a massive and picturesque ivy-coated building resting on a wooded hill in the greater Stockholm region. The faculty members at the school described how they had a more difficult time adjusting to the competitive environment. One school administrator

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discussed how, in the wake of burgeoning competition, the municipality attempted to improve school F by collaborating with a neighboring high school. The neighboring school specialized only in the social sciences and humanities, while school F focused on the natural sciences and mathematics, which dramatically increased the percentage of boys who enrolled. The strategy failed: the environment, achievement, and reputation of school F plummeted, as did its enrollment, since few students wanted to attend an institution made up almost entirely of boys. By 2003, the city abandoned the collaboration effort, and school F reopened its social science and humanities programs, hiring or laying off a number of teachers, many on bad terms.\textsuperscript{254}

Although since the collaboration ended, administrators at school F have had the autonomy to pay teachers based on merit and to experiment with alternative modes of organization, principals and administrators still face both personnel and political impediments to reforming to meet competitive demands. On a political level, even after the failed collaboration, the principals still did not have all the autonomy they would have liked to run the schools as they saw best. Administrators still have to take directives from municipal politicians that often conflict with national regulations. In terms of staff, teachers at the public school are described as philosophically diverse, but still steeped in tradition: they are accustomed to certain methods of teaching and organizing their day, and therefore often opposed to being steered in new directions. Moreover, the strict organization that regulates day to day activities is also a perceived source of the school’s legitimacy and authority, and administrators

\textsuperscript{254} Teacher School F, “Interview #05.”
and principals are wary of dismantling some of the most ingrained organizations even for the most promising of purposes.\textsuperscript{255}

One team leader of the English department noted that the department was disadvantaged by an inability to hand-select teachers, since only a few stubborn staff members were needed to arrest any attempts at changing how their department functioned or viewed their subject pedagogically. Her department’s success at coming to a consensus, she argued, was purely due to luck; it had a great group of teachers willing to work in new ways in response to a changing environment.\textsuperscript{256}

Consistent with Chubb and Moe’s contention that democratically controlled schools have a repressive bureaucracy, school F was too rigid to easily reform. However the prescience of their observation also undercut their prediction. Decentralization did not give the municipal politicians enough incentive to pass on their discretion to the principals. In the cases where the administration did have increased freedom, school F’s low capacity for action as a result of its rigid and conservative organization and staff made it very difficult to reform in light of a more competitive environment.

Indeed, the leaders of preexisting municipal schools, even when granted autonomy from local politicians, will find themselves in a paradoxical situation. On the one hand, administrators want to reorganize schools to improve performance. On the other, too much individually imposed change may diminish the rational-legal authority that public schools rely upon to alleviate possible conflict, maintain obedience among the staff, and decrease transaction costs. Indeed, as discussed in the

\textsuperscript{255} Administrator at school F, “Interview #09.”
\textsuperscript{256} Ibid.
previous chapter, most schools are decoupled in part so that constant administrative intervention does not diminish the authority of school leaders among teachers.\textsuperscript{257} For this reason, school F had to rely on primarily nonacademic means of attracting students. Rather than improving their educational philosophy or streamlining their organization, the school instead enhanced its reputation by developing one of the best sports programs in the city. This attracted motivated students, who maintained good grades and behavior in order to stay on sports teams, in turn improving the school atmosphere and reputation, further drawing in talented students.\textsuperscript{258}

However, even though the principals and administrators were in many ways limited in how they could run the school, they all described their relationships with one another as relatively harmonious. The more experienced teachers felt almost perfectly autonomous, trusted to run classes as they saw best.\textsuperscript{259} Principals and administrators said that they usually only interfere when teachers are inexperienced and have received many complaints, or if there is a significant divergence between the national test scores and the grades teachers assign.\textsuperscript{260} When this happens, intervention usually comes in the form of classroom visits or increased dialogue, rather than an externally imposed curriculum. There is also a pervading ethic of collaboration in the form of peer-assessment, subject-based teamwork, and grade-level discussion that enhances relationships among staff and between teachers and administrators.

\textsuperscript{258} Administrator at school F, “Interview #09.”
\textsuperscript{259} Teacher School F, “Interview #05.”
\textsuperscript{260} Administrator at school F, “Interview #09.”; Assistant Principal School F, “Interview #03.”
To sum up, school F lacked many of the serendipitous factors that allowed school E to transform as Chubb and Moe hypothesized. The municipal government kept intervening, the staff was less inclined to be favorable to changes, and inspirational leadership did not emerge. Together, these factors decreased the school’s freedom and capacity for action. As a result, school F could not undertake the kinds of fundamental academic reforms documented in the Harvard Achievement Gap Initiative, and was forced instead to focus on offering different kinds of classes (such as a sports program) that did not interfere with the professional autonomy of teachers.

3.4 Conclusion: A New Organizational Critique of Educational Markets

As has been shown in previous sections, many Swedish schools that emerge in a market-system will not have the capacity to inculcate their staff with or mobilize them around an inspired mission, which the Harvard Achievement Gap Initiative (among other sources) contends is critical to dramatically increasing academic achievement, especially for under-served students.

Indeed, sovereign schools are only capable of mobilizing around particular school missions if they subscribed to a preexisting educational philosophy, like the Montessori method. In these instances, teachers would already be indoctrinated, freeing school leaders from having to assist in this process. However, there are three primary reasons why schools without this philosophical and institutional (in the sense that training programs exist) foundation have difficulty achieving the same organizational results. First, it is difficult to perfectly match teachers to schools with
congruent educational values and instructional methods, as evidenced by school A. While this problem is no doubt exacerbated by the union restrictions on firing teachers, it is unlikely that principals could ever seek teachers with perfectly matched values and teaching methods without subscribing to a well-established educational philosophy. Second, utilizing inspirational leadership to align teacher and administrator values in cases of disagreement can be challenging, especially in for-profit schools where the priorities of the owners and the school mission may be distorted by market incentives away from student learning. This diminishes the perceived the legitimacy of leadership and engenders potential distrust and inflexibility among teachers asked to give up professional autonomy.

The for-profit status is especially detrimental to adopting clan-like organizations because, as many leaders from the Harvard Achievement Gap Initiative testify, proving to your staff that you share motives and values is integral to persuading them to adopt your mission and instructional methods in a more than superficial manner. Finally, nascent sovereign schools are also likely to lack the institutional accountability and support to facilitate the process by which teachers learn to internalize school values and instruct in accordance with them. This kind of administrative support requires a vast amount of professional development, support, and accountability to educational leaders, which may not be available in the early stages of sovereign schools.

In contrast, municipal schools are both blessed and cursed by the rigid administrative bureaucracies that tend to define their organizations. On the one hand, these bureaucracies provide some degree of legitimacy to principals and mechanisms
to support teachers and ensure internal accountability. On the other hand, bureaucratic organization stifles creativity and preserves the status quo of a heterogeneous staff often averse to major changes. Yet, just as public schools in the United States are capable of overcoming this barrier, so too can Swedish municipal schools, as seen in the example of school E. Although a market-based system may increase the odds that municipal schools have the freedom to improve, since market forces may pressure politicians to step back and let principals reform schools from within, two problems emerge.

First, as seen in school F, this political retraction does not always take place. Second, and more fundamentally, the market reforms will not necessarily increase the capacity of municipal schools to reform from within. Teachers have often grown accustomed to the regulations that dictate everyday life, however rigid and inefficient. Changing these basic organizations is a risky endeavor that requires a generally receptive staff, well-established authority and strong leadership. Unless competition incentivizes schools to adopt these sorts of leaders and pervasive academic missions—a possibility I will address in the next chapter—there is no reason to believe that a voucher system is more likely to facilitate such school-initiated academic reform.

Finally, chain schools certainly have the potential to develop supportive and efficient institutions that facilitate a high capacity for action, despite decreasing freedom at the school-level for teachers and principals. As seen in school C, these institutions are capable of creating new roles for teachers that increase the amount of time they spend with students, but not necessarily of instilling staff with a pervasive
educational mission that motivates teachers even in the most difficult of
circumstances. In fact, as evidenced by the fact that only not-for-profit chain schools
in the United States have been able to adopt clan-like organizations, it seems unlikely
that for-profit schools in Sweden would be capable of transitioning away from purely
bureaucratic organizations.

In total, these experiences evidence a fundamentally exceptional characteristic
of educational goods: unlike firms in other sectors that can succeed even if employees
do not totally subscribe to the work they are doing, schools cannot increase scores for
struggling students if teachers are not thoroughly committed to their instruction and
students. In these circumstances, teachers will either superficially perform such
lessons, inevitably losing the enthusiasm of their students, or deviate from prescribed
instructions because of their refusal to conform to lessons or values they are not
committed to. Therefore, only under certain conditions—some combination of well
matched staff to a school’s values, strong administrative support, and inspirational
leadership—will schools have the capacity to adopt organizations around a pervasive
academic mission that inspires and motivates teachers. In other words, unlike other
bureaucratically organized sectors of the economy, schools serving
socioeconomically disadvantaged students require clan-like organizations.

Clans were evidenced in only one of the schools I visited, principally because
they are expensive organizations to implement and therefore are only efficient when
“work requires great dedication in the face of danger, temptations for corruption, or
challenging work assignments with inadequate material compensation.” This condition may not have been met in the environment surrounding the schools I visited. However, I will argue in the next chapter that the organizational limitations arising from the costliness of adopting clan-like organizations, or even the effective organizations Chubb and Moe describe, interact with the market limitations associated with high transaction costs and nonacademic preferences. As a result, schools responding to competition for students will rarely find it financially viable to mobilize around a unique and pervasive educational mission. Since the organizational limitations facing for-profit firms are greater, so too are the impediments to adopting such organizations in a market context.

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4. Complex Organizations and Imperfect Markets

Having just argued that there are both market and organizational constraints to schools achieving educational innovation and quality enhancement in a market, I will discuss in this chapter how these two limitations interact with one another to inhibit a voucher system from developing towards increased educational quality over time. But this requires a short recap of the four primary ways Chubb and Moe argue that a voucher system will increase educational quality.

Chubb and Moe offer a captivatingly straightforward narrative to advocate for a voucher system. They show that there are certain organizational characteristics of successful schools critically important in explaining student achievement on standardized tests. While the bureaucracy and politically driven regulations of public education stifle the ability of schools to enact these organizational requirements, a market system frees schools to implement these changes in response to the demands of students and families, rather than the political interpretation (or manipulation) of the popular will.

Although not all schools will be successful at appealing to families, market forces would weed out the failures, and propel the best models to expand. Therefore, Chubb and Moe believe that a market-based education system enhancing academic and organizational diversity not only caters to a diverse array of students, but also provides a natural laboratory in which good ideas are profitable and can proliferate, while bad ideas quickly fall by the wayside. In the long run, the forces of natural selection ensure that only schools most fit—efficient and capable of meeting the needs of students and families—will operate. But without this diversity, not only will
students face limited options, but there will be less internal variation through which the forces of natural selection can work, stalling the capacity for market forces to improve schools.

But Chubb and Moe’s argument does not totally depend on the cultivation of diverse pedagogical methods and school missions. They also posit that a market-based education system will decentralize school management, so that school leaders who have a better understanding of local conditions can build a harmonious staff around a mission that suits the surrounding environment. In the short-term, Chubb and Moe argue that this increased trust and agreement will enhance the professional autonomy teachers and principals are allowed to exercise. In the long-term, it would raise the level of skill required for the job (and potentially the monetary benefits in return for less job security). In time this will incentivize the most talented, passionate, and confident to pursue careers in education; this would, regardless of school diversity, improve academic outcomes for students.

Finally, Chubb and Moe contend that the proliferation of more efficacious schools and organizations and the replacement of expensive bureaucratic accountability with the relatively cheap market-driven accountability, consisting of parents and students migrating from poor to successful schools, would result in a more efficient school system as a whole.

Up to this point, my analysis has intended to challenge this narrative at its very foundations in three primary ways. First, citing more recent school-choice literature, organizational theory, and studies of effective schools, I argued that Chubb and Moe fail to realize that different kinds of organizations are necessary based on the
students they are meant to serve. Wealthier, motivated, and high achieving students tend to flourish in a wide range of school environments, while traditionally underserved students may need schools whose organizations reflect, but are much more demanding than the effective organizations Chubb and Moe describe. These clan-like organizations contain a pervasive pedagogical approach, organization, and consistent school culture to which teachers must subscribe, as well as a morally infused educational mission that captivates and motivates principals, teachers, and students alike.

I then discussed the theoretical evidence for the existence of market failures that may direct markets away from increasing educational quality and improved educational outcomes and demonstrated that these market failures are both pervasive and influential in the Swedish education system.

Finally, I expanded on the foundation laid out by Karl Weick, Bryk et al., and Linda Rönnberg to develop a new framework for understanding school organizations, arguing that although the market may free schools from external regulations, it does not necessarily endow them with the capability of adopting new and more academically-oriented organizations. This is because the professional autonomy of teachers often comes at the expense of the capacity of a school to specialize pedagogically. Therefore, any organizations that impinge upon a teacher’s autonomy to run classes as they see best can only emerge in the rare cases in which schools have strong institutions to facilitate teacher adoption of a particular mission, the perfect matching of teachers to schools with congruent pedagogical practices and values, or inspirational leadership that convinces staff that the school’s mission is worthy
enough to sacrifice professional autonomy for its fulfillment. Going a step further and adopting a clan-like mission that intends to replace private incentives with social incentives requires an even greater capacity for action through each of these channels. Often, the simultaneous functioning of schools as for-profit firms makes it more difficult to instill teachers with a school mission that acts as a motivational force and a moral guide. This diminishes the capacity of for-profit schools to develop the clan-like organizations necessary to improve academic outcomes for struggling students.

But at this point it would be premature to draw any conclusions about the viability of market-based education reforms. The test cases I have examined certainly problematize Chubb and Moe’s hypothesis, showing how independence does not necessarily translate into a capacity for schools to mobilize all staff around a core academic mission, and even suggest that it is unlikely that schools will be able to adopt these kinds of organizations. However, no evidence has yet been presented to show how schools tend to respond to competition on the margins in light of these market and organizational limitations. Moreover, I have yet to examine what kind of regulations, if any, are capable of directing markets towards improving schools in spite of these two limitations.

The purpose of this chapter will therefore be to assess the consequences of competition between schools facing the high costs of achieving clan-like or even effective organizations in response to imperfect market forces. To gain a deeper understanding of the effects of these developments on quality, this chapter will be organized based on the four factors Chubb and Moe identify as improving schools in the long term: organizational and pedagogical diversity, strong leadership and
professional autonomy, a higher-skilled workforce of teachers, and more efficient schools.

### 4.1 Organizational Diversity: the Incentive for Superficial Specializations

Schools with a high capacity for action are able to differentiate themselves by mobilizing around a unique organization, ethos, or pedagogical approach that infuses all levels of the school, including actual instruction. In cases where this capacity for action exists, schools can meaningfully differentiate themselves both organizationally and pedagogically. For example, school C (the centralized chain school) has the institutional capacity to impose curriculums on teachers so that they have more time to work one-on-one with students, school B was able to attract teachers of a particular pedagogical orientation (the Montessori method), and school E had an inspirational leader who could design a school agenda based on the values and goals of her staff. But those schools without a high capacity for action were unable to infringe upon teacher professionalism in the classroom to achieve a comprehensive academic reform. They lacked a homogenous and already pedagogically-aligned group of teachers, charismatic leaders able to inspire staff to adopt their mission, or administrative institutions to support them in the reform process. Consequently, they had to compete for students in different ways.

The experiences of municipal school F illustrate one of the ways in which many schools attempt to enhance popularity when lacking the capacity to mobilize around meaningful academic transformations. As mentioned in the previous chapter, municipal school F went through a period of low achievement and poor reputation in
the early reform years as a result of politicians forcing it to specialize in the natural sciences and math. Though the administrators were eager to reform the school’s image, the rigidity of school F’s institutions and its heterogeneous staff, most of whom had chosen the school because they approved of its organizational structure, made it difficult to implement dramatic reform even after they were given the freedom to do so. When discussing the feasibility of increasing the collaboration at the school as one means of reform, one administrator commented,

“If you want to work with your colleagues you need to have time to talk to them, and time for your students to work in interdisciplinary ways. If you have an organization at the school, which is quite traditional, where the practice is old fashioned while the idea is new fashioned, you can’t have them both at the same time… It could work if you had a really good organization, if all the teachers know what they are doing, if it’s really well planned…but in an average high school, where everyone is running between their lessons and they have 10 minutes to plan something, it’s not good quality.”

She continued that attempting to reform pay and working hours was equally challenging, because “when you work in a public school you have a very safe and old-fashioned way of dividing the hours.” Any dramatic changes could incite a backlash of disobedience or noncompliance among the staff.

Indeed, rigid organizations, lack of charismatic leadership, and unenthusiastic staff all precluded her and other administrators from enhancing the school’s reputation by changing organizational or pedagogical practices to enhance the classroom experience. Instead, the school had to find another means of attracting students that did not require such fundamental and all-encompassing change. The school therefore decided to offer different kinds of programs, and as discussed

262 Administrator at school F, “Interview #09.”
263 Ibid.
previously, only through a new sports program that may have actually diminished academic quality was school F capable of attracting students and improving its reputation.\textsuperscript{264} Even though the school’s popularity increased because of this form of competition, the vice-principal of school F still acknowledged that competition based on these programs stifled the school’s ability to improve its academic program.\textsuperscript{265}

School F’s experience suggests that there are powerful financial incentives to mobilizing resources and energy around specializations that are far less organizationally difficult to implement, but also less likely to enhance academic quality. This phenomenon is substantiated by a 2007 study of Sweden’s Torp municipality that documents similar transformations as a result of competition. The author discusses how municipal schools in Torp had to introduce “profile classes,” comparable to the new programs school F introduced, as a way of competing. He argues that this had a profound effect on the development of these schools over the past two decades:

“In the early 1990s there were only two profiles to choose from and in 2003 there were more than 20 available alternatives (Söderqvist, 1999; Torp, Välja skola, 2003). It is perhaps surprising that these classes have become so important in the competition, given that the only difference compared to an “ordinary” class is that the pupils have two or three more hours on the timetable each week in their profile subject, while they have a time reduction in some other subjects. But the evidence is clear; all the community schools have been forced over the years to introduce profile classes in order to meet the competition from the other schools.”\textsuperscript{266}

The fact that municipal schools often respond this way makes sense if we take into account that competition takes place on the margins. Indeed, if a school’s faculty

\textsuperscript{264} Teacher School F, “Interview #05.”; Assistant Principal School F, “Interview #03.”

\textsuperscript{265} Assistant Principal School F, “Interview #03.”

\textsuperscript{266} Söderqvist, “School Leaders’ View on Market Forces and Decentralisation: Case Studies in a Swedish Municipality and an English County,” 93.
were given a check to cover expected revenue over the next decade up front, and allowed to make significant investments in training, research, new personnel, or reorganization, perhaps they would craft a ten-year plan that might enhance their competitiveness by reinventing themselves academically. But local budgets do not work this way. Schools receive revenue each year based on the number of students they attract, and must respond to competition each year with their limited funds. Because implementing a pervasive pedagogical method to which all teachers will assent is so expensive and requires significant upfront costs, this sort of annual competition all but precludes schools from implementing major academic overhauls. Instead, it incentivizes schools to make minor, relatively inexpensive changes that directly translate into reaching a broader consumer base.

In a study of struggling municipal schools with high minority populations, Nihad Bunar documents how these kinds of impossible competitive pressures can demoralize the schools most in need. Bunar assesses how urban municipal schools in Sweden responded when many of these students transferred to neighboring free schools. Instead of reexamining their educational approach and how well they met the needs of their students, these schools adopted what Bunar calls a “logic of resignation”: the schools attributed the migration to students preferring a wealthier demographic of classmates, a commodity they were unable to offer.267 This resignation would take place even though many of these schools had clear, statistically explicit academic weaknesses—only 30% of one observed schools’

students were deemed ready for grade nine.268 In the end, Bunar concludes, “I am not claiming that urban schools do not develop their organizations or instructional models at all; I am arguing that they do not undertake development strategies as a direct answer to growing competition from ‘White’ and ordinary free schools.”269

But these methods of competition are not just limited to struggling municipal schools. Many chain schools, such as John BauerGymnasiet and school D (the vocationally oriented chain school), also utilize educational specializations as a primary way of attracting students. The principal of school D even commented that her school was doing well because they had recently introduced a popular hair stylist program.270 Even students who attended school A did so primarily because of its specialization in drama and psychology.271 Indeed, schools B, C, and E are the exceptions to this trend simply because they had the capacity to invest in actually improving the academic programmes of their school.

Assessing changes in specialized academic programs in upper-secondary school since the adoption of choice reform can help us to determine whether the discussed lack of capacity for action is an endemic problem. As explained in the Introduction, Swedish upper-secondary school students are allowed to choose between sixteen programs. Two of them, natural sciences and social sciences, are academic, while the other fourteen are specialized and vocational. If the hypothesis that most schools compete by offering specialized programs since they lack the capacity to improve their academic performance is true, then there should be a clear

268 Ibid.
269 Ibid., 68.
270 Principal of school D, “Interview #01.”
271 Students at school A, “Interview #07.”
trend in the Swedish educational system: a decline in percentage of students enrolling in the non-specialized academic programs. Indeed, the evidence is clear. While in the 2001-2002 school year 51.2% of the upper-secondary students enrolled in a natural science or social science program, this figure dropped to 42.7% during the 2008-2009 school year. Although this rapid decline is staggering, it does not capture the ubiquity of this response to competition, since institutions may offer “specializations” within a natural or social science program. For example, students enrolled in school A are in a social science program with a psychology and drama focus, and the athletes at school F simultaneously enroll either in a vocational or academic program. Although these students are part of the same mode of competition, they are not all counted as part of this ten percent drop in academic concentrations. However, it should be noted that the uncertainty engendered by market limitations might contribute to the increase of students in non-academic tracks. This is just one example of how market and organizational limitations interact to prevent the fulfillment of Chubb and Moe’s hypothesis.

But lacking a high capacity for action does not always translate into competition by offering specialized programs. All school officials interviewed agreed that some independent schools also cut costs by finding loopholes in regulations: hiring unqualified teachers, not delivering the services that municipal schools are required to provide, offering fewer courses than governments may demand of municipal schools (such as many languages), abstaining from providing students

272 “Pupils on programmes, courses and branches, school year 2001/02.”; “Pupils by programme or connection to programme, distributed by sex, school year 2008/09.”
273 Administrator at school F, “Interview #09.”
with subsidized meals, and seeking to attract cheaper students (while municipal schools have less freedom to accept only high quality students).

Although anytime competition revolves around finding loopholes academics will likely suffer, most staff agreed that these problems, though sometimes unforeseeable, could be mitigated through increased regulation. In fact, every staff member I met believed that a new set of regulations in the upcoming education legislation would solve the particular problems they believed were a result of corner-cutting. The final section of this chapter will thus deal with the potential for regulating such a system, and whether the costs of promoting a high achieving and egalitarian educational system through continuous regulatory changes outweigh the savings.

As a result of schools competing by offering enticing programs or cutting corners, it should be no surprise that Sweden lacks meaningful pedagogical diversity. One 2007 report by the Swedish educational inspectorate found that while independent schools were once organized around different academic philosophies, since the reform they have become increasingly similar to public schools; today there are few instructional differences between dependent and municipal schools. Another study argues that, with few exceptions, choice has not promoted diversity because innovations instead usually revolve around image management.

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274 Students at school A, “Interview #07.”
If schools operated in a perfect educational market, then parents and students might recognize that academic quality suffers as schools competed on the grounds of specialized programs rather than classroom instruction and transfer. However, because of the market limitations previously discussed, this bottom-up accountability mechanism is unlikely to be strong enough to adequately punish schools for forgoing academic quality in favor of attracting students by other, more conspicuous, means. As a result of both these market and organizational limitations, competition-induced diversity is unlikely to be vast enough to engender academic improvement through the process of natural selection. Instead, as a result of the inability of consumers to demand academic quality and the inability of staff to mobilize around pedagogical innovations, schools will improve reputation over time at the expense of increased educational quality.

4.2 Freedom Without Autonomy: The Work Environment of Teachers in an Educational Marketplace

Although institutional and market limitations preclude the development of meaningful pedagogical diversity, if market competition still attracts high quality teachers and provides them with the professional autonomy to flourish, then academic improvement in the long-term is still possible. Indeed, enhancing teacher and principal quality alone could yield dramatic improvements in educational outcomes. The principals I met with generally had relatively few explicit constraints to how they could run their school, though many principals of free schools commented that their work was often devoted to budgetary and administrative practices, rather than
academic or inspirational.\textsuperscript{278} While the anecdotal evidence from interviews and the organizational problems discussed in the previous chapter certainly challenges Chubb and Moe’s narrative, more research is needed to understand how reforms have changed the principal’s role.

Regarding teachers, since professional autonomy often comes at the expense of a schools’ capacity for action, the fact that most Swedish schools lack the capacity to interfere with professional autonomy and influence classroom practices could have positive impact on teacher professionalism. The potential benefits of this outcome are furthered by the popularity of many forms of government intervention in Sweden, especially standardized tests, which do not have the same high-stakes implications as they do in such publicly administered schools systems as that of the United States.\textsuperscript{279} With these facilitative government interventions made possible by the new responsibilities (e.g. support and information gathering) of government in a market-based educational system that relies on parents and students as the primary form of accountability, teachers may have the autonomy and support necessary to instruct to the best of their ability.

However, this section will argue that this has not taken place. Instead, the voucher system in Sweden has carved out a new and diminished role for teachers precisely because schools lack a high capacity for action. Indeed, these schools are unable to successfully attract, improve, and retain high quality teachers, and instead must compete for students in other ways that are detrimental to promoting the improvement of working conditions, professionalism, and recruitment of teachers.

\textsuperscript{278} Principal of school D, “Interview #01.”; Principal of school A, “Interview #04.”
\textsuperscript{279} Assistant Principal School F, “Interview #03.”
The exceptions to this outcome are those institutions, such as school C, that have the organizational capacity to be steered by market incentives to enhance the quality of its teaching. However, these remain exceptions yet, and even they often work in ways that still do not conform to Chubb and Moe’s initial hypothesis.

To begin with these exceptions, the CEO of school C believed that markets had the capacity to improve teacher quality over time. He discussed how school C found that investing in high-quality teachers had more value-added than any other educational input, converging upon the same consensus as educators in the United States. Therefore, finding accurate ways of measuring such quality, paying teachers higher wages, and rewarding the highest quality teachers for their performance facilitates both their private quest for profit-maximization as well as the social goal of increased academic achievement. To attract the most ambitious college graduates, his company is also building new avenues for promotion for successful teachers. He hopes these tracks for promotion will appeal to the most ambitious college graduates. Indeed, in this sense his firm is behaving just as Chubb and Moe predict.

Yet, embedded in his logic is a seeming paradox. On the one hand, he contends that teachers are the most important input in education policy; on the other, he runs a firm of chain schools that specifically limits the autonomy of teachers to diverge from the curriculums with which they are supplied. When asked about whether, as Chubb and Moe predict, these restrictions would both stifle the most capable teachers and discourage them from pursuing a career in education, he admitted, “In individual cases, yes…if you are a very good teacher in your subject it

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280 CEO of school C, “Interview #10.”
is very likely that you are less thrilled at having to pull along a group of less qualified teachers.” But he continued to contest the premise of Chubb and Moe’s assertions, asking,

“But what is quality? Is quality based on the best, the poorest, or the average? My experience is that if you want to increase the average, it is best to work with the poorest people. It gives you a much quicker turnout if you focus on the poorest quarter. Sometimes I use the expression ‘we cannot have anybody who is below the average.’”

He stressed that rather than only trying to attract the top one percent of college graduates, it would be better for students, the schools, and the staff if working with the poorest-performing teachers became a priority, so that they can either improve or switch careers. This process, he argued, inevitably involves restricting teacher freedom.

What is quite fascinating about this business practice is that Richard Hanushek, an American educational economist, came to the same conclusion by examining the correlation between test scores and teacher quality, arguing that working to improve or get rid of the poorest performing teachers would be an incredibly high yielding approach to reform. Thus, in this particular case, the educational firm was motivated to implement the same policy solutions as educational economists, driven not by social goals, but instead by perceived market incentives.

The positive effect these larger chain schools could have on the professionalism of teachers may also stem from their policy influence. Not content with the efficacy of the union-recommended pay structure, school C is now also

\(^{281}\) Ibid.

\(^{282}\) Hanushek, “The Difference is Teacher Quality,” 82-85.
working on a proposal for new ways of measuring teacher quality (and paying teachers accordingly) that balance subjective and objective assessment—a project that the United States government has also found to be critical in attracting and supporting high quality teachers. Once again, this alignment of the interests of private firms and national policymakers epitomizes the potential for market-reform to improve educational quality over time. But it must be stressed that school C could only do this because it had the administrative capacity to carefully monitor, improve, and force out teachers who refused to conform to their curricula or were unsuccessful. Without this means of ensuring a particular level of teacher quality, it would have been futile for the school to mobilize around this educational input.

Indeed, when schools without a high capacity for action (either due to a lack of leadership, self-selected staff, or institutional support) attempt to become more competitive, they are unable to influence what occurs inside the classroom and instead enhance competitiveness by asking more from teachers outside the classroom. However, while these increased demands do not directly impinge upon teacher autonomy, they indirectly diminish the capacity of teachers to instruct effectively.

For example, hoping to attract more students but unable to implement fundamental academic reform, school F instead offered a sports program, which became the school’s primary focus when advertising to potential students. But as a result, sports classes were given priority over academic classes in terms of scheduling; academic instructors were forced to teach classes at inconvenient hours.

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283 CEO of school C, “Interview #10.”
284 Duncan, “Education Secretary Arne Duncan Says Merit Pay Should Be Tied to Student Growth.”
because sports practices took over the most popular teaching slots.\textsuperscript{285} One study of a municipality’s experience with school choice throughout the 1990s and early 2000s documented a similar trend in seven public schools responding to increased competition. While each school reformed itself in the hopes of attracting more students, none of these reforms involved attracting better teachers, and only one school focused on supporting teachers or enhancing instructional techniques. In the rest, reform stopped at the doors of the classroom: schools attempted to increase parent involvement, add new grade levels (one secondary school added an entire compulsory school section), offer enticing courses and specializations (such as sports, drama, English, or—most successfully—music), and some tried to reduce class size.\textsuperscript{286} Another comprehensive study of changes in municipal schools as a result of competition found that teachers “argued that the local budget tended to get a priority over national curriculum goals. While politicians and senior officials emphasized the freedom and responsibilities of professional teachers to promote learning and growth, the teachers voiced a loss of autonomy and power, in particular over the working hours outside the classroom.”\textsuperscript{287}

Another teacher commented on a similar trend in her school: “Earlier we concentrated on the pupils and teaching; this is not at all the case today. Teaching has almost become a sideline. … This is a twofold development: the expectations to participate in everything versus the lack of time to do the most important thing,

\textsuperscript{285} Administrator at school F, “Interview #09.”
\textsuperscript{286} Söderqvist, “School Leaders’ View on Market Forces and Decentralisation: Case Studies in a Swedish Municipality and an English County,” 79-93.
\textsuperscript{287} Sverker Lindblad in Lundahl, “Education politics and teachers: Sweden and some comparisons with Great Britain,” 72-73.
namely, to educate and to establish good learning environments." Other reports substantiate this teacher’s experience; one argued that teachers complained that their non-classroom working hours had become more controlled, and a second found that teachers were increasingly being asked to fulfill administrative and economic responsibilities, rather than pedagogical obligations.

While this tendency of preexisting municipal schools to compete by offering new programs or attracting new grade-levels may indirectly put greater burdens on teachers, the effects of competition in nascent sovereign schools may be even more deleterious. The president of a major teachers union in Stockholm discussed how sovereign schools often need teachers to staff classes for which they are not prepared; schools in their early years often have curricular and administrative gaps that need to be filled by flexible teachers, especially as they strive to introduce enticing programs and classes. Moreover, sovereign schools may also compete by hiring fewer staff members to fill more roles. This is evidenced by the fact that independent schools tend to have a higher ratio of pupils to staff members than do municipal schools, as well as a lower percentage of staff with a degree in teaching.

The ways in which schools without a high capacity for action respond to competition seem to have had detrimental effects on the working conditions of teachers. Lisbeth Lundahl, one of the most prolific writers on the Swedish educational

291 President of the Teachers Union, “Interview #15.”
system, has argued that as a result of the market reforms, the number of teachers who reported high levels of stress rose considerably, as did the number of teachers who resigned due to heavy workloads. Figure 4.1, which depicts the percent of teachers and the total workforce reporting health problems as a result of mental stress, confirms this trend, showing that the percent of teachers with such health problems rose since the choice reforms, even with respect to other occupations.

Figure 4.1. Percent of the employed reporting health problems due to mental stress.
Source: Björklund et al, The Market Comes to Education in Sweden, p. 89.
Notes: The figures pertain to teachers at the compulsory, upper secondary, and university level.

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293 Lundahl, “Sweden: decentralization, deregulation, quasi-markets and then what?” 692.
294 Björklund et al., The Market Comes to Education in Sweden: An Evaluation of Sweden’s Surprising School Reforms, 86.
As the President of the teachers union pointed out, this trend of asking teachers to take on higher workloads is symptomatic of the same institutional inability to compete by ensuring a high quality of teaching. Because sovereign schools often lack the institutions necessary to hold teachers accountable or improve teacher performance, they are incentivized to ask more from their teachers outside the classroom, rather than attempt to enhance support and achievement within the classroom.

4.3 Attracting the Best: The Effects of Markets on Teacher Professionalism and Education

Because teachers are being asked to fill broader roles that may include more administrative work and a greater diversity of classes, the demand for teachers with a high level of education is likely to decrease. But this may also be due to changes in the attitudes of those who run schools established after the reforms. The CEO of school C described how teacher training has been a far-left platform since the 1960s. As a result, the businesspeople—many of whom lean conservative—who became involved in the education sector through independent schools did not value teachers who had been certified or trained at a teachers college, and instead chose teachers who were knowledgeable and enthusiastic about their subjects. 295 Furthermore, because schools are increasingly expected to serve economic interests, they may in turn require teachers to sacrifice professional legitimacy by offering less rigorous

295 CEO of school C, “Interview #10.”
classes or inflating student grades. Teachers with less professional training may be more amenable to such demands.

However, this demand for less educated teachers is likely amplified by other factors previously discussed: parents are unlikely to hold schools academically accountable and, lacking the capacity to monitor and support teachers effectively, most school leaders will be unable to influence the instructional content inside the classroom. As a result, school leaders will value other aspects of their school more heavily and compete by asking teachers fulfill this nonacademic role. Moreover, hiring teachers with fewer educational credentials will also free businesses to pay them less. Indeed, the spread of business tenets and competition into education is incongruous with valuing teacher training and education, and as a result teachers are paid and treated as though they are less skilled workers.

This trend away from valuing teacher education can be evidenced by a study, shown in Figure 4.2, that found a steady decline in both the number of certified teachers per one hundred students and the ratio of certified to uncertified teachers.

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296 Lundahl, “Education politics and teachers: Sweden and some comparisons with Great Britain,” 75.
There was a consensus among those I interviewed not only that there is less incentive now to employ certified teachers, but also that the quality of students pursuing teaching as a career had diminished over the past decades. The CEO of school C anecdotally remarked that in Finland, the top ten percent of college graduates go into education, while in Sweden, only the bottom five percent do. On the other side of the political spectrum, the president of the Stockholm Teacher’s

297 CEO of school C, “Interview #10.”
Union agreed, and discussed how in the 1970s it was very difficult to be admitted into a teacher’s college, while today one does not even need to pass all their upper-secondary school subjects to be accepted.\textsuperscript{298} Other studies have confirmed these anecdotal observations. One found that in the late 1990s the relative demand for teacher education compared to university education experienced a marked decline, as did the qualifications for those applying to teacher-training programs.\textsuperscript{299} This decline in the popularity and entrant quality of teacher education may be a result of both the diminished importance of teacher certification for employers as well as the deteriorating working conditions for teachers over the past two decades.

The president of the Teacher’s Union argued that this decreased demand for teaching degrees among employers has contributed to the decline in reputation and quality of Sweden’s teachers’ colleges.\textsuperscript{300} Indeed, this may spark a positive feedback loop, in which the decreased demand and respect for teacher education pushes down the quality of teachers’ colleges, which further diminishes the popularity of teacher education programs and the respect employers and the population as a whole have for teaching as a profession. Unfortunately, this could have dramatic consequences for how prepared even those who attend teachers college are to teach effectively.

Returning to the discussion that began this chapter, it is likely that these are trends amplified by market limitations. Indeed, if families on the whole had the preferences and resources at their disposal to make educational decisions based on academic and teacher quality, then schools would have greater incentive to compete.

\textsuperscript{298} President of the Teachers Union, “Interview #15.”
\textsuperscript{299} Björklund et al., \textit{The Market Comes to Education in Sweden: An Evaluation of Sweden’s Surprising School Reforms}, 93-94.
\textsuperscript{300} President of the Teachers Union, “Interview #15.”
by *enhancing* the quality of instruction. Unfortunately, evidence from Chapter two suggests that families do not make educational decisions based on instructional quality and lack the resources to assess actual instructional quality, allowing schools to continue this detrimental mode of competition.

### 4.31 Alternative Narratives

Of course, the responses of sovereign and municipal schools to competition in light of market and organizational limitations are not the only reasons why the conditions and reputation of teachers may be plummeting. The CEO of school C offered a different narrative that traced the decline to the decentralization of school governance in the early 1990s. At that time, the Swedish government was forced to make painful cuts to the budget as a result of a recession. The CEO argued that it was this effort to absolve itself from these politically unpopular cuts that drove the national government to transfer responsibility for the school system to the municipalities, thereby making teachers municipal personnel. However, in Sweden municipal workers are perceived as “lazy bums,” carrying with them a stigma that does not exist for state employees. ³⁰¹ Moreover, teachers now had to compete with other municipal workers for wage increases from the municipality, which essentially put a cap on the potential growth of their wages. ³⁰² This transformation of teachers

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³⁰¹ CEO of school C, “Interview #10.” This is the phrase the CEO used to describe the perception of municipal workers.

³⁰² Administrator at school F, “Interview #09.” This cap was evident to municipal schools administrators, who discussed how unfortunately the 2% union-agreed minimum wage increase was effectively a ceiling as well due to municipal budget constraints.
from state to municipal workers may have contributed to the profession’s diminished popularity over the past twenty years.\textsuperscript{303}

The decline may also be due to state intervention in the market. Since 2001, the national government has provided 100 million Euros in state subsidies for the sole purpose of increasing the \textit{number} of teachers.\textsuperscript{304} The national government also publicizes certain statistics to compare the quality of schools, recently emphasizing teacher density—the teacher to student ratio—as an indicator of a good school.\textsuperscript{305} Having this as a prominent measure for parents incentivized schools to hire more teachers with surplus funds, rather than paying the already employed teachers more.\textsuperscript{306} The CEO argued—and most of research in the United States confirms this theory—that teacher density has relatively little explanatory power in accounting for educational achievement.\textsuperscript{307} The pervasiveness of teacher density as an indicator of quality, he continued, caused resources to flow towards hiring \textit{more} teachers rather than treating teachers better, which has not only diminished the quality of teachers as a whole, but has also decreased their wages and regard for the teaching profession.

While the above factors may contribute to the declining professionalism of teachers in Sweden, I have argued that most schools’ diminished capacity for action in a market setting has significantly reduced their ability to compete by advancing the quality of teaching. Instead, schools are forced to attract students in ways that are

\textsuperscript{303} CEO of school C, “Interview #10.”
\textsuperscript{304} Lundahl, “Sweden: decentralization, deregulation, quasi-markets and then what?” 694.
\textsuperscript{305} CEO of school C, “Interview #10.”
\textsuperscript{306} Ibid.
\textsuperscript{307} Hanushek, “The Economics of Schooling: Production and Efficiency in Public Schools.”
either indifferent or destructive to the promotion of effective teaching. This tendency for competition to demote teacher quality is then furthered by market imperfections that limit customers’ ability to reward or punish schools based on teaching quality, and, to some extent, on imperfect regulations that may incentivize these counter-productive responses to competition. Schools that have the capacity to compete by promoting and improving the quality of teachers, either through larger institutionalized administrations, charismatic authority, or mobilizing around specific pedagogical practices to which teachers already subscribe, do not seem to be the norm based on the aggregate data previously discussed. Indeed, although capable, these schools may not find it financially viable to continue mobilizing around academic reforms when cheaper and more market-conducive alternatives are available.

4.4 The Costs of Uncertainty: Efficiency In Spite of Unfair Competition?

Evidence presented thus far suggests that competition has not led to increased diversity or teacher quality. This section will assess whether or not markets have made the Swedish school system as a whole more efficient. Chubb and Moe’s logic that competition will lead to this outcome depends heavily on the assumption that local governments will be forced to relax their hold on municipal schools in the hopes of cultivating the organizational reforms that will allow them to retain students who otherwise may choose to transfer. As seen in the example of school F, which was abruptly transformed unsuccessfully into a science and math school in a desperate
attempt to increase competitiveness, local politicians do not necessarily respond in the manner assumed or hoped for by Chubb and Moe.

But the behavior of the politicians controlling school F should not be a surprise. The very same political incentive to intervene when a school is struggling that Chubb and Moe utilize to critique the democratic responses to failing school districts (explicated in Chapter one) can also manifest itself in municipalities struggling in a market system. Politicians may feel pressure to proactively improve their municipal schools when their government is stuck paying for students to attend independent or neighboring schools. Or, in other cases, they may respond to this political pressure by injecting funds into struggling schools to prevent them from failing and the staff from losing their jobs. If this is the case, then we cannot count on a bottom-up mode of accountability; that is, we cannot expect schools unsuccessful in attracting students to go bankrupt and close down.

Even the most free-market-leaning think tanks, those that relentlessly argue that school choice has promoted academic achievement, cannot claim that costs have gone down.\textsuperscript{308} Other studies by the National Agency of Education have found that costs for municipalities rise as a result of increased school choice, mainly because municipal governments aim to maintain a certain level of education in public schools despite shrinking enrollment.\textsuperscript{309} This is especially difficult as a result of the high fixed costs and long-term leases of municipal schools, as well as their legal obligation to accept all students, the most expensive of which are the also the least likely to

\textsuperscript{308} “Choosing for Quality or Inequality: Current Perspectives on the Implementation of School Choice Policy in Sweden,” 12.

\textsuperscript{309} Skolverket, in Bunar, “The Free Schools “Riddle”: Between traditional social democratic, neo- liberal and multicultural tenets,” 429.
transfer to independent schools.\footnote{Choosing for Quality or Inequality: Current Perspectives on the Implementation of School Choice Policy in Sweden,” 11.} For example, principals of low performing schools argued that as the best-performing students fled, immigrant and refugee children who required special teachers still needed to be educated, only with less financial assistance.\footnote{Ibid., 12.}

These reports show how moral and civic imperatives, rather than just political ambitions, may force governments to provide additional funds to struggling public schools. Indeed, there is a very difficult tradeoff between embracing the creative destruction responsible for expansions in productivity and efficiency, and protecting students from the turmoil inextricably linked to such processes. While in other sectors of the economy creative destruction yields temporary unemployment, in an educational economy it can result in the decimation of the emotional, moral, and intellectual development, and the life opportunities, of thousands—perhaps millions—of students. For this reason, in the twenty-year history of the voucher system in Sweden, fewer than ten schools have closed down because of insufficient revenues.\footnote{Official at the Swedish Association of Independent Schools, “Interview #06.”} This has produced conflicting reactions: skepticism of the ability of markets to weed out ineffective schools, and relief that large numbers of students have not suffered from the cold and impersonal process of creative destruction.

Implicit in much of the previous discussion is the reality that municipal and independent schools do not compete on a level playing field. Not only do municipal schools have to provide a variety of services from which independent schools are
technically exempt, but they also have to accept the more expensive students who do not get into or do not know about independent schools. But perhaps most destructively, municipal schools are not organized for the dynamics and fluctuations of a market climate. They often occupy larger buildings with long-term leases and high fixed costs, and are therefore incapable of contracting or expanding with a shifting enrollment. Independent schools, on the other hand, can initially organize themselves for this unique institutional environment, renting cheaper spaces and hiring flexible teachers so that they can more efficiently alter their expenses in response to changing levels of enrollment. Indeed, while every independent school I visited was situated in a larger building complex—this would diminish the costs of contraction or expansion—school F sat isolated on a large hill, precluded from renting unused space or expanding at a reasonable price. Since the ability to efficiently adjust to demographic changes is critical to market success, especially because the number of students in Sweden is decreasing each year as the number of applications to establish schools is continually rising, which will inevitably result in virtually all schools experiencing a loss of students and revenue, public schools are inherently disadvantaged in the competitive process, even though this flexible organization has no necessary bearing on academic quality.

While improved regulations that are able to erase the disadvantage facing municipal schools now in terms of accepting students without diminishing Sweden’s egalitarian goals could possibly mitigate some of these problems, they stem more

313 Though mitigating these inequalities is the goal of the upcoming educational reform.
314 An exception to this is school C, which signs long-term leases for buildings even though this diminishes their flexibility.
from the fact that municipal schools were created before the voucher reforms, and independent schools have been founded in light of recent reforms, and can adapt their business model accordingly.

While municipal schools may be relatively disadvantaged in a market environment, a voucher system places new costs on all schools that do not exist in an all-public school system. For example, the application and enrollment process creates significant uncertainty as to the size of each school’s annual budget. There is a period in the fall during which students are free to transfer to different institutions if they are dissatisfied with their experience. While this is a very reasonable policy, it makes it difficult for schools to properly budget for the upcoming school year.\footnote{Principal of school D, “Interview #01.”} One school noted that sometimes only a percentage of the initial number of accepted students will enroll, an occurrence that can lead to unused classrooms, furniture, and teachers.\footnote{Ibid.} Of course, such uncertainty is relatively more detrimental to municipal schools for the reasons just described.

Finally, a market-based education system increases costs because new regulations are continually passed. Although the government cannot endow schools with the capacity to specialize around meaningful academic improvements in response to competition, it can limit schools’ freedom to compete in unproductive ways, such as offering superficially appealing but academically lacking specializations or cutting corners. However, the government cannot foresee and preempt all the potentially destructive ways in which some schools will compete in light of their organizational limitations. This means that any conception of a
successful school voucher system must envision continual updates and revamping of
government intervention as a means of constantly directing schools to compete on the
basis of quality.

However, frequently re-regulating schools is expensive in many different
ways. Schools often have to devote immense amounts of time adapting to new
curricular requirements set by the government, too much regulation can limit the
extent to which schools can academically specialize, and the uncertainty engendered
by political fluctuations can stifle educational innovation and access to private
funding." Indeed, the complaints of the principal A perfectly capture the inherent
tradeoffs of regulating to improve educational quality and causing undesirable
burdens for schools. She described the new political legislation, of which she and
everyone I interviewed were generally in favor:

“This big change is that some courses will have more hours, (math will go from 50 to
100 required hours, for example). The big thing here is that they don’t want schools
with specializations, such as our school. They think it allows for weaker programs,
and I admit that some programs (that focus on animals or skateboarding) are weak,
that’s why we have to apply for certification again. But in 2007 it seemed like the
educational legislation would go through but it didn’t, so now everyone is very
suspecting, we don’t trust the government. We wonder ‘why are they doing this to
us?’ And even if this legislation passes, things may change again, and then we will
have to devote another hundred hours to reapplying, and it may be harder for our
schools because we specialize, but if we are not able to specialize, how can we
differentiate ourselves from community schools? We are unique because we have so
much drama.”

While some of the costs she described are difficult to measure, especially those
emanating from political uncertainty and distrust in the government’s desire to let

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317 Principal of school A, “Interview #04.” She argued that it took over 100 hours of
planning in the past to prepare for one major educational reform legislation.
318 Ibid.
principals run schools as they see best, they can have lasting effects on the efficiency of the education system as a whole.\textsuperscript{319}

There is thus a catch-22 embedded in the school choice framework: the mix of organizational and market limitations requires tremendous effort on the part of the government to steer the educational system towards increasing quality for all students. Sweden, a country known for its efficacious government and egalitarian principles, has nevertheless been unable to achieve this feat after almost two decades. While we might identify certain regulations likely to ameliorate the situation, at a certain point increased regulation defeats the purpose of having a market system in the first place. If market-run schools are not inherently better at achieving the high capacity for action necessary to promote teacher quality, efficiency, and educational diversity, then what is the benefit of utilizing markets in the first place? Hayek argues that markets effectively coordinate information, but our discussion illuminates how the educational markets do not utilize this information to improve school quality. Families do not serve as effective bottom-up accountability mechanisms, successful chain schools tend to ignore local conditions, and competition forces most schools to deemphasize the professional autonomy of teachers who best know the pedagogical needs of students.

The question the final chapter will address is therefore whether any aspect of the market paradigm can be useful for improving schools in light of these deficiencies, and if not, what alternatives do we have?

\textsuperscript{319} Indeed, most scholars of the Great Depression would argue that the uncertainty many of the New Deal policies incited in business owners also was detrimental to growth and efficiency.
Conclusion: Why is This Good Different from All Other Goods?

My giving up while teaching at BELL was the culmination of a longstanding tension between the private and social incentives I faced. I joined the program with a stark recognition of the systemic problems confronting students and the understanding that any behavioral problems or academic weaknesses I discovered were not the students’ fault: they were merely the products of poverty, low parental education, and a failing school system. As such, it would be wrong for me to assume their performance, attitude, and knowledge as students was representative of their potential, and it would be *unjust* not to every day take it upon myself to help them reach this potential.

But every day I was exposed to forces chipped away at this ideal. Students were not only many grade-levels behind, but were also vehemently opposed to putting in the effort needed to catch up. Conflicts among them slowed the classroom pace to a crawl, and even the brightest students began to adopt the attitudes of the least ambitious. Teachers devoted much of their time to behavior management or less rigorous activities, and as I flopped into my seat at staff meetings or lunch breaks looking exasperated, shell-shocked and flustered, they would console me that there was only so much I could do.

Ambitious lessons require stricter discipline, and imposing such high expectations sparked continual conflict and frustration among the students. The emotional and physical ramifications of attempting to implement high academic standards on an unwilling classroom were pronounced, inevitably precluding me from
devoting myself to meaningful activities outside the classroom. For the most part, BELL provided little help, either in the way of motivation and classroom or instructional support. Overcoming these obstacles to any measurable extent seemed an impossible feat.

Everything I confronted at the school compelled me to lower my standards. The students would be happier, the classroom environment more cordial, harsh discipline less necessary, and teachers more understanding and supportive. BELL would still likely have large enough score increases to impress investors, and I would no longer feel the obligation to reverse the effects of twelve years of poverty and failing schools.

Indeed, this problem is linked to another I confronted at the beginning of this project: is there any mechanism that can either weed out or push organizations like BELL to be more supportive, more instructionally oriented, and more pervasive in its inspirational themes? Together, these would continually enliven my social incentive to keep standards high and lessen the personal and emotional costs of doing so. I began this project with the hope market-enabled competition and choice could fix this problem, armed with the proposition that there was no apparent reason to assume that governments could produce educational services more effectively than markets. Because choice-based education reform has taken hold of current policy debates and market-driven educational changes could yield either significant improvement or harm, I argued that it was of critical importance to empirically assess the ways markets develop educational institutions. Presently, most of the literature on school choice subscribes to Chubb and Moe’s optimism, Bryk et al.’s skepticism, or the
generally ambivalent perspective of Cookson, Henig, Gintis and Witte, who support the highly regulated use of some market-based ideas. The lack of theoretical or empirical consensus in either direction led me to seek out a case study that would highlight the ways market forces develop schools in the context of a well-regulated but competitive environment.

Although Sweden does not enroll a particularly high percentage of students in private schools, it has one of the most active educational markets in terms of the production of new schools and cultivation of large educational corporations. Since it also has one of the best records of efficient governance in the world, I decided that its twenty-year experiment in school vouchers could serve as an informative test-case to analyze how markets develop educational institutions, both overall and on the margins, through a detailed analysis of various schools in the Stockholm region and the utilization of secondary literature with similar methodological goals.

The investigation illuminated one profound oversimplification both in Chubb and Moe’s analysis and to some degree the voucher movement as a whole. While excessive bureaucratic constraints may limit educational achievements, freedom from such external regulations does not necessarily translate into the capacity to mobilize a school’s resources (i.e. teachers, administrators, parents, students, organizations, infrastructure) around a particular educational mission or instructional philosophy. This occurs primarily because the capability of schools to implement pervasive educational missions or instructional approaches comes, in most cases, at the expense of teachers’ professional autonomy. Teachers are often unwilling to forgo this autonomy, especially when they do not trust the motives of the principal or school.
Indeed, independent schools in Sweden detach themselves from the rational-legal authority that has suffused public schools for decades, and unless they fill the void with a new basis for authority, whether charismatic, rational-legal, or traditional, they will have no means of compelling teachers to sacrifice professional autonomy in favor of a school mission. Thus, schools in a market context will often have the freedom—but not the capacity—to mobilize around specific educational missions and instructional practices. The capacity for effective school-based reform is contingent on a meaningful source of authority, whether traditional (requiring the presence of overlapping educational values), charismatic (requiring the presence of inspirational leaders able to convince teachers of the utility of a school’s mission), or rational-legal (requiring the presence of school-wide institutions that can develop, support, and monitor teacher effectiveness in a rational and just manner). Indeed, it is futile to impose instructional reforms on an unwilling staff with no respect for the imposing authority, whether this authority is the government, a school board, or a principal.

While some schools met these requirements and were capable of unifying around a particular educational mission or school organization, these schools nonetheless did not exhibit a powerful-enough mixture of leadership, self-selection, and administrative support to achieve the clan-like dedication that is often necessary for educating underserved students.

However, the point of this general insight is not that it is difficult to achieve effective or clan-like organizations, but rather that these organizations are expensive to achieve and involve substantial startup costs. KIPP, for example, invests heavily in an intensive month-long training program for all teachers and a one- to two-year
training program for principals in order to ensure that staff members are well suited to the school’s pedagogy, and that principals are capable of both administering support for teachers in applying this pedagogy to their students, as well as serving as inspirational leaders.

The high initial cost of fostering such capacity for action is absolutely critical to explaining the behavior of schools in a dynamic, competitive market. Indeed, because funding is so uncertain from year to year due to the ability of students to transfer, the constant creation of new schools, and yearly demographic fluctuations, schools will often avoid implementing meaningful but costly academic reforms in response to increased competition. Although schools could construct academically rigorous missions that do not infringe upon teacher professionalism, they instead seem to invest in relatively cheaper marginal changes that attract consumers at the expense of teacher professionalism. For example, upper-secondary schools tend to offer more nonacademic specializations to appeal to a broader consumer base. Their incentive to do so is a result of the market limitations documented in literature on school choice. Students and parents will not have the resources or preferences necessary to ensure that schools compete on the basis of academic improvements, and their uncertainty provides schools with further incentive to offer uniform instructional practices and a wide range of specializations. These organizational and market limitations interact with one another to not only decrease the level of academic diversity, as evidenced by the Swedish example, but also to promote school behavior that limits the professional autonomy of teachers. Finally, these competitive demands place municipal schools, regardless of their educational quality, at an inherent
disadvantage that often increases expenses for municipalities hoping to keep these schools afloat.

Indeed, the detrimental consequences of educational competition in Sweden illustrated by the experiences of the six schools I studied can be corroborated by a wealth of secondary literature and national data that evidence fewer academic specializations in upper-secondary schools and lower achievement across the country. The incentive against implementing the kinds of clan-like organizations that may be necessary to improve educational results for underserved students is also evident. There is a growing academic divergence between students of various wealth distributions and socioeconomic statuses, as well as a dearth of independent schools that specialize in reaching out to underserved students.

However, these suboptimal educational outcomes can at least to some degree be attributed to specific regulations governing Sweden’s voucher program, such as the grade-based application process for upper-secondary school and the very strong union presence that makes it more difficult to fire teachers. While these interventions have certainly affected the development of Swedish schools, when considering how best to apply the lessons learned from the Swedish example to the United States, we must keep in mind two important differences between the countries. First, Sweden has a much more equitable distribution of wealth than does America, which means that more intervention would be necessary in the United States to reach a comparable level of equity in educational opportunities. Second, the Swedish Parliament is far less conservative than the American Congress, which enhances the political feasibility of egalitarian government intervention in Sweden relative to the United
States. Therefore, even though Sweden has not gone to exceptional lengths to channel market forces for equitable ends, it has implemented a much more left-leaning system than would be politically feasible in the United States, especially relative to the preexisting socioeconomic disparities in each country. Indeed, while Sweden has done an imperfect job regulating to ensure egalitarian outcomes, there is still evidence that overcoming market and organizational limitations may be an insurmountable task for the United States or virtually any country.

Thus, I would argue that the evidence from Sweden emphasizes that markets and competition would not solve the problems I faced as a BELL instructor. Educators in such a position engage in a constant battle between the private incentive to give up, rationalize, and blame students’ economic circumstances, upbringing, or past teachers, and the social incentive to persist against the invisible and all but indomitable forces dragging down standards. A market-based system would enhance our private incentive to give up by encouraging schools to focus more on superficial flourishes than on curricular support, to favor parent and student satisfaction over educational outcomes, and to ignore academic realities rather than call attention to them.

But vouchers may also preclude schools from enhancing social incentives. They strip most schools of the ability to hire idealistic and driven leaders, the authority to demand the staff commitment necessary to overcome persistent challenges, and the capacity to nurture a rousing and ubiquitous educational mission. Without the ability to mobilize staff around powerful social goals, a cold, impersonal, utility calculus will weigh down even those initially teeming with optimism.
Indeed, at the root of the problem is the reality that in socioeconomically disadvantaged areas, educational goods are fundamentally different from all other goods. This divergence is more profound and penetrating than the public characteristics, externalities, or transaction costs and imperfect information associated with educational goods. It is rooted in the insufficient private incentives that can compel teachers day in and day out to enthusiastically persist in the quest to enhance outcomes despite the overwhelming physical, emotional, and financial costs they face. Indeed, unlike most other firms, these schools require a hallowed authority to help teachers internalize a morally significant educational mission, and to help them sustain the strength and unyielding optimism needed to effectively teach the most underserved students. In essence, education in these communities is not a private good because success requires that teachers willingly assume the responsibility of erasing years of inequality for millions of students.

But our analysis reveals that education is not just exceptional when oriented towards underserved students. As evidenced in Sweden, market limitations and organizational limitations everywhere engender uncertainty and an incentive to avoid enhancing the quality of instruction or teachers. In other words, all schools are disincentivized to improve educational quality in a market system. For this reason, we cannot rely solely on competition to yield educational innovation. First, educational innovation is a public good, not only because it is difficult to prevent educators from reaping the benefits new pedagogical discoveries, but also because the marginal cost of a new teacher or school utilizing a person’s educational innovations is zero for the innovator. More importantly, the cost of achieving the capacity to adopt such reforms
is very high, and unlike medical or technological innovations, educational innovations are unlikely to yield large profits, since they utilize services dependent on human capital—the productivity of which is relatively constant—of school employees, and the price of a voucher is often fixed. Moreover, because of consumer uncertainty and the difficulty of measuring pedagogical techniques there will be little demand for educational innovation, even if innovations would greatly enhance productivity in the long-run. Thus, unlike competition in other sectors, educational competition is unlikely to increase educational improvement on the margins or in the long-term. For all the social costs it could generate, the process of creative destruction is likely to sustain pedestrian instruction.

A Few Implications for Policy and Research Moving Forwards

I want to briefly outline the implications of this analysis for educational policy for the United States in both the short- and long-run. Before doing so, however, it is essential to emphasize that the research presented in this thesis is far from complete. I draw most of my conclusions from illustrative case studies. More comprehensive studies are therefore necessary to assess the universality of the constraints and incentives experienced by those I interviewed, and the relationship of these constraints and incentives to student achievement. Furthermore, I have focused primarily on upper-secondary schools in Sweden. Since compulsory schools lack the ability either to accept students based on grades or to offer specialized programs, it would be very interesting to compare the different incentives for educational innovation and instructional improvement facing these schools. Finally, this study did
not visit school environments that necessitated clan-like organizations. It is therefore of tremendous value to study schools enrolling underserved students as a way of testing the hypothesis that clan-like organization is all but impossible to achieve in a market context.

However, studying schools in a relatively free market allows one to focus more adeptly on the organizations within schools, irrespective of the institutional climates within which schools are situated and to which schools respond. For this reason, I believe that despite focusing principally on middle-class schools, my research has relevant insight for improving the organizational capacities even of schools in socioeconomically disadvantaged environments.

Chubb and Moe certainly make a strong case against the ability of centralized democratic policies to fix our schools. However, while they claim all that these schools need is more freedom and the market-based incentive to improve quality of education, our analysis of Sweden suggests that increased freedom for schools is futile unless schools have the capacity to effectively make use of such freedom. As discussed, a capacity for action can be enhanced in three primary ways: stronger leaders, well-matched teachers, and improved support. I would therefore like to conclude by briefly discussing how schools’ capacity for action can be fostered in the United States based on lessons from Sweden, assuming that we move towards a paradigm of school autonomy that is not complemented by either competition or high-stakes testing as a form of accountability.

Perhaps the most essential of these three components is the presence of strong leaders who are able to mobilize and support their staff in pursuit of a certain
pedagogical goal. Indeed, principals can only influence the direction of schools with teacher support. For this reason, any superintendent or school chancellor can ascertain relatively quickly through a survey of teachers which principals are not effectively mobilizing their staff, and can, in conjunction with other metrics (such as graduation rate changes, test score increases, etc.), understand which principals need replacing. Replacing these principals with previously successful teachers is also important, since effective principals need to support and evaluate teachers in the classroom as they implement school-based reforms. Perhaps more importantly, principals can only be effective to the extent that they have legitimate authority and the capacity to understand and address pedagogical needs in the eyes of their staff. Both of these requirements would suffer if a principal lacked successful teaching experience.

However, it is difficult to advocate one particular form of leadership or educational philosophy. If anything, our analysis of Sweden should emphasize that different kinds of principals, values, and managing styles are appropriate for different groups of teachers and educational environments. Moreover, principals have a much easier time leading effectively when their staff is predisposed to agree not just with their long-term goals, but also their prescriptions for how to reach said goals. On the one hand, these two insights suggest that there should be an effort to match teachers with certain pedagogical and educational values with principals of similar values. On the other hand, choice in this regard—even stripped of competition and markets—can lead to several unsatisfactory outcomes: these include the self-segregation of students, teachers who believe that some students just aren’t right for their programs (resulting in the discussed abnegation of responsibility), and high transaction costs for
students who want to switch programs. The answer to this catch-22 has to come by cultivating pedagogical and instructional diversity within public schools. This requires principals capable of adapting broad visions of academic and social success to fit the various strengths and interests of staff members, as well as teachers who have the ambition, motivation, and capacity to use this enhanced discretion to relentlessly pursue new and improved ways of educating students.

While research on clan-like organizations stresses the fact that incentives become social, rather than private, there is still a place for merit pay in this model, so long as it is based not on test scores alone, but also ingenuity, the desire to take on difficult tasks, and an ability to work well as a team. This requires ceding to principals the ability to use some subjective criteria in deciding salaries. Ideally, a pay scale could also allow principals to establish professional development levels and new leadership positions. On this note, the Swedish experience also implies that there is tremendous utility in revamping our teacher education system, so that it is more likely to attract the kinds of enthusiastic, ambitious, and inspired teachers that are required for clan-like organizations to develop.

Finally, the analysis suggests a profoundly different way of constructing administrative support and accountability systems. The most important lesson from Sweden is that, like school autonomy, teacher autonomy requires a careful balance of freedom and creating conditions that allow them to use that freedom effectively. In this sense, national and school policy can facilitate teacher autonomy by providing teachers with the tools necessary to teach as they see best. For example, teachers in Sweden view national tests as assets rather than burdens. Indeed, the United States
government could implement supportive standardized exams so long as they are broad enough to test for core competencies regardless of what a teacher specifically teaches. This might mean, for example, testing a student’s ability to make historical arguments backed by both primary and secondary sources, rather than a student’s knowledge of the dates of major Civil War battles. Tests must also be used to support teachers, inform parents and administrators, and provide some universal standard to ensure that students are graded fairly for similar work within a school or district.³²⁰ These tests should in no circumstances be used to penalize schools, teachers, and most importantly, students. They are simply meant to alert invested educational actors to the classrooms and students in need of more support. For standardized tests to be supportive, rather than a burden, they need to be constructed with meticulous care and attention, which will inevitably be expensive. I would therefore argue that effectively utilized standardized tests would have to come at a national level and alongside a national curriculum.

Indeed, the evidence Sweden provides of the supportive role a government can play in improving education is part of a larger lesson especially evident in the success of school C: there are economies of scale not yet realized in education. Indeed, I recently spent a weekend with one hundred first-year teachers in Detroit, and discovered that they universally agreed that the hardest part of their jobs was not just the actual instruction, but getting home at seven in the evening, eating dinner, and then staying up until two o’clock in the morning writing lessons for the next day’s

³²⁰ Given the current disparities in achievement between students of different socioeconomic statuses, it would be problematic to hold students accountable to equal standards.
classes. While every lesson plan has to be a reflection of the teacher to some degree, the presence of an open-source website where teachers can post, revise, rate, and download lesson plans could nonetheless make this process dramatically more efficient, since teachers would have a greater wealth of material from which to draw in devising their own plans.\textsuperscript{321} This, in turn, would free up time, especially for new teachers, to eat, sleep, communicate with the parents of students, and learn from coworkers or mentors, in the long-run decreasing the work and stress required to excel as a teacher. This would attract more graduates to the education sector. Indeed, this is just one of the many ways in which economies of scale can be utilized in a noncompetitive environment, perhaps to an even greater degree than in a marketplace.

This project was in many ways a response to the dogma that often plagues educational discourse, especially on the subject of markets and education. Neither the categorical acceptance of market language and reasoning in hopes of fully understanding the educational problems we face, nor the inherent moral rejection of applying business practices to educational institutions is particularly useful. Those in the former camp propose markets, competition, and choice as a panacea without understanding the exceptional characteristics of educational institutions that preclude the applicability of such logic. Those in the latter camp often propose grand ideas that fail to grasp the ways in which democratic control can distort the best-intentioned reforms into counter-productive policies. This dogmatism is not surprising. Since virtually everyone believes that education plays a profoundly important functional,

\textsuperscript{321} For more on the potential of peer-production for lesson plans and textbooks, see Benkler, \textit{Common Wisdom: Peer Production of Educational Materials}.\footnote{For more on the potential of peer-production for lesson plans and textbooks, see Benkler, \textit{Common Wisdom: Peer Production of Educational Materials}.}
civic, and moral role in any community, we desperately want to see schools organized in ways consistent with our most important worldviews.

Ironically, while I hoped that regulated school choice could provide a rational, pragmatic, and desperately needed solution, market-driven approaches fail to account for the fact that teachers and principals take seriously this hallowed responsibility as well, and therefore do not behave as the rational and generally self-interested actors required by such models. Indeed, further research is necessary to better understand human behavior in the context of the unique and complex organizations of schools, so that we can begin supporting schools and holding them accountable without reducing them to competitive firms or ignoring the institutional limitations inherent to democratic reforms. While at first, the inability to apply business principles to fix schools seems discouraging, we must realize that for this very reason we have an even more powerful tool than markets at our disposal: a populous that takes education incredibly seriously, and is therefore willing, under the right conditions, to forgo material wellbeing in order to help close the achievement gap. It is our task to utilize this dogmatic energy to improve our schools.
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