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Throw More Money at Education



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It's become almost conventional wisdom that throwing more money at public education doesn't produce results. But what if conventional wisdom is wrong?

A new paper from economists C. Kirabo Jackson, Rucker Johnson and Claudia Persico suggests that it is. To disentangle correlation from causation, they look at periods from 1955 through 1985 when courts ordered governments to spend more on schools, from kindergarten through 12th grade. They then track how students in those areas did, up through 2011. The result is a very detailed long-term picture of the effect of spending more money on education.

The economists find that spending works. Specifically, they find that a 10 percent increase in spending, on average, leads children to complete 0.27 more years of school, to make wages that are 7.25 percent higher and to have a substantially reduced chance of falling into poverty. These are long-term, durable results. Conclusion: throwing money at the problem works.

Here's the hitch: The authors find that the benefits of increased spending are much stronger for poor kids than for wealthier ones. So if you, like me, are in the upper portion of the U.S. income distribution, you may be reading this and thinking: "Why should I be paying more for some poor kid to be educated?" After all, why should one person pay the cost while another reaps the benefits?

Well, let me try to answer that. There are several good reasons.

First, if you're an upper-income American, you probably do derive some direct benefit. When poor Americans become better workers, it doesn't just boost their wages. It also boosts the

profitability of the companies where they work. If you own stock in such a company (and I hope you do), the value of those shares will go up if American worker productivity increases.

There might be even bigger, though less direct, effects from having a more-educated populace. The more industries can use U.S. workers instead of Chinese workers, the more industries will base their production in the U.S. This will feed local economies, boosting the profits of stores and other service businesses. That also feeds into your stock portfolio.

If you own your own business, you might need to hire some low-income people. If those people are better readers, better at doing simple math, more efficient at everyday tasks, and just more productive in general, that cuts down on the time and money you need to spend fixing their mistakes.

Next, having more educated poor people makes for a better civil society. Suppose you live in, say, Chicago, or some other city that hasn't enjoyed as big a drop in crime as New York or Los Angeles. I bet you don't enjoy having to worry about driving or walking through unsafe neighborhoods. I also bet you would like to walk around downtown without fear of getting mugged. It might also be nice not to have to live behind the isolating walls of a gated community.

One way to reduce crime, of course, is to pay for more police and increase incarceration rates. But another way is to improve education. Economists Lance Lochner and Enrico Moretti found in 2003 that education decreases crime. An educated populace is a well-socialized populace. There is also the fact that better education leads to higher wages for poor people, reducing the incentive for them to engage in crime.

At the risk of sounding grandiose, let me go even further: Education is really the difference between a cohesive society and a collection of people who happen to live next to each other. This was understood well by Fukuzawa Yukichi, Japan's version of Ben Franklin. After Japan opened up to the West in the mid-1800s, Fukuzawa volunteered for Japan's first diplomatic mission to the U.S. He returned convinced that universal education was the key to transforming Japan into the equal of the Western nations. His ideas were influential, and Japan to this day has one of the world's best education systems.

Detractors of our public education system point out that the U.S. already spends as much on public education as many other developed countries -- 5.5 percent of gross domestic product,

compared with only 3.5 percent in Japan, 4.9 percent in Canada, 5 percent in South Korea and 5.9 percent in Finland. Many view increased education spending as a giveaway to powerful and greedy teachers' unions.

But maybe the U.S. spends more because it *needs* to spend more. The U.S. has more inequality and more poor people than those countries. Just as some countries naturally need to spend more on health care than others, the U.S. might naturally need more education spending.

The argument for more education spending, of course, isn't at odds with the need to make our schools more efficient. Education-reform movements such as charter schools -- which are also effective mainly for poor kids -- don't clash with the idea of higher spending. We can do both, and each may help the other.

So this is one problem the U.S. really should consider throwing more money at.

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