

Central Planning Approaches Have a Low Upside: The Post-Katrina New Orleans Charter-Centric System

John Merrifield
October 12, 2015

If an industry is ‘price-less’, central planners – the anointed experts selected by the politicians in power – must decide what to produce, how, where, and who gets what. The history of central planning tells us that is not good. The fine folks running and studying New Orleans’ post-Katrina, reinvented school system are discovering that fact, and teaching it to the school system reform movement. Hopefully, we’ll absorb the lesson. New Orleans’ post-Katrina system certainly is a lot different, and [quite a bit better](#), than the pre-Katrina system. The new system still produces awful results, but not as awful as the bad-as-it-can-be pre-Katrina system. From that low starting point, the new system’s gains look impressive. The outcomes are still below ‘[Nation at Risk](#)’ state and national averages.

In the post-Katrina system, independent, chartered public schools enroll the vast majority of New Orleans schoolchildren. So, it was widely thought that New Orleans would be another school choice experiment, and so it is, in a sense. It is an experiment in independent choice, by school operators and parents, without market-determined prices to inform and motivate decision-making. Chartered public schools are [price controlled](#). They cannot charge tuition, and the state funding formula decides the per pupil payment. Like the vast majority of states that allowing chartering, Louisiana does not allow the profit motive to drive market entry.

The results of pricelessness are predictable. Without the guidance and *flexibility* of market-determined tuition prices to define and fill niches and keep up with student population changes, the authorities had to step in to push, pull, and prohibit. Prior to the re-centralization of enrollment –

once again, students are [assigned to a school](#) – many of New Orleans’ chartered public schools had persistent waitlists. There was no price signal to reveal and eliminate shortages of particular instructional approaches. So, New Orleans’ school choice is parents providing the authorities a preference list, which the OneApp central planning software processes into a school assignment.

As the history of central planning efforts predicts, [numerous problems have arisen](#) from the authorities’ attempt to orchestrate a menu of schooling options and satisfy as many parental first and second choices as possible. Central planning approaches have always had severe information holes, and weak or perverse incentives problems, and such approaches will always have those problems. The longstanding school systems around the country, and New Orleans new system, have already proven that we are not much better at addressing those information and incentive challenges than the Soviet, pre-1989 Eastern Europe, Mao’s China, Cuba, and North Korea versions of central planning. Price-less determination of what instructional approaches will be available, how they will be provided, where, and for whom has a very low upside. It will never perform nearly as well as [decentralized planning](#) by everyone through the price system.