

Decentralized Planning Works, But Beware of Rough Transitions

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You're reading the only school system policy blog series that directly addresses the consequences of pricelessness, and the urgent need for price decontrol, which means the need for market-driven, dynamic price change to facilitate decentralized planning. How that could be so is utterly shocking, and an incredible opportunity to work out the nature of school system reform that fully exploits the potential for improvement before transformational change becomes politically feasible in one of our states. As your understanding of the skills and knowledge of the typical U.S. teenager will tell you, the [potential to improve is much more](#) than the 10-15% international test score difference between the top-performing countries' price controlled K-12 school system, and the U.S. price controlled K-12 system.

The inattention to the need for decentralized planning by most of the population – free enterprise orchestrated by market-driven price change – is utterly incredible. In the world's developed countries, decentralized planning driven by price change orchestrates production of nearly all goods and services. The only alternative to it – central planning by government bureaus – has a horrible track record, including for K-12 education. Central planning struggles to function acceptably even for the core government functions of defense and justice. [This night-time satellite photo](#) of the Korean Peninsula says it all in a single glance with the stunning contrast between the centrally planned north, and the free enterprise-driven south.

Your country needs you to be a messenger of this essential truth; without price decontrol the upside of school system change is just a small fraction of the potential to improve our K-12 system; the urgent need to improve. So that you can be an effective messenger, let's review how de-

centralized planning through free enterprise and price change would orchestrate production of schooling options, including home production (the decision to home school) when parents have a comparative advantage schooling one or more of their own children. The process can start with folks, including many current educators, detecting an opportunity to enter an existing schooling niche, say instruction for math whizzes. The detection process involves comparing competitively feasible tuition prices, plus the potential to solicit donations, and schooling costs, especially personnel costs. That process produces a new school, or a significant expansion that imitates existing schooling practices, whenever the competitively feasible per pupil payment times the likely number of enrollees, plus donations, exceeds the cost of operating the school by enough to at least generate a normal (for the entire economy) gap between long-run revenue and expenses. For example, that circumstance might arise, repeatedly, in growing regions, after increased demand raises the selling price that still fills, or nearly fills, the school. The consequent opening of some new schools competitively drives down the selling price until schools fill at a price that is no longer attractive to potential newcomer school operators. That process informally regulates the total capacity of the system.

Another entrepreneurial scenario arises whenever an innovation yields schooling practices that are more effective than existing options, or that achieve the same outcome as existing options, but at a lower per pupil cost. This basis for a new school is much riskier than the imitative behavior described above. All the due diligence in the world does not assure that enough children will enroll at a price that is high enough to cover expenses, which can be quite high, initially, because the needed personnel and materials may have to be developed mostly from scratch. But, a great idea can fetch a very high price, even in comparison to temporarily high initial year(s) expenses.

Not all entrepreneurs will want to charge the maximum price the market will bear. But even if he/she is the epitome of the cold-hearted, money-uber-alles, money-grubbing capitalist caricature

that squeezes every penny possible, the outcome is beneficial provided he/she does not have a government crony in position to block the market entry that the max profit price will attract. Again, market entry will continue until the tuition price falls to a level that is no longer attractive to potential market newcomers.

The potential political difficulties with the public perception of the likely process is that it seems to greatly favor the wealthy, including through price change that blocks access to the most popular innovations. And there may be some turbulence in the transition from priceless government provision to a public-private shared financing regime where some of the schooling options charge more than the taxpayer-financed amount provided to every child according to learning issues, like disabilities, but not according to differences in a child's family circumstances. First of all, let's acknowledge that most wealth is earned, and thus will, and probably should, entitle its owner to some advantages; in this case, mostly limited to being first to have access to innovative instructional approaches. It will take a while for scholarship-granting organizations to recognize matches between new schooling options and learning characteristics of children from low income families. And second in line is not without its advantages. The children of the wealthy are much more likely to be able to quickly bounce back from exposure to periodic poorly conceived, though superficially attractive, instructional innovations. K-12 education has had a lot of those. Some of the kinks and start-up costs will have been wrung out of new approaches before lower income families gain widespread access to them, either because competition drives the co-payment share of the tuition to near zero (the norm in Chile), or because charity-provided, means-tested scholarships defray the co-payment cost. The philanthropic funding already in K-12 education would support a lot more children than it does now if it only had to cover the difference, for some schools, between the market-determined tuition and the taxpayer-financed per pupil payment for children from low income families.

The sporadically uncomfortable transition from current pricelessness to full-fledged free enterprise orchestrated by price change will include not only temporarily higher prices for the most popular current instructional approaches, and the seemingly best instructional innovations, but also labor market disruptions, and a mix of permanent school closures, and change of ownership of other schooling facilities. New technologies already seeing the light of day, plus free enterprise and additional advancements, will professionalize the teaching profession, but render many existing teaching practices and skills obsolete. Re-training assistance and career change assistance are political feasibility and economic efficiency imperatives. We need to anticipate those changes to win enactment of school system transformation and optimize it.