Suppose There Were a World Bank For American Education ...

By Stephen P. Heyneman

Earlier this year, I attended a meeting at which two school superintendents spoke on the fiscal problems they faced. Both were from traditionally wealthy districts, but because of several factors—court-mandated intrastate fiscal redistribution, a sudden growth in special-needs and non-English-speaking populations, lowered property values, and demands to adhere to new federal and state standards—both superintendents believed that their districts were in a state of fiscal crisis and needed new infusions of public tax resources. If you want higher quality, they said, you have to pay for it.

This is analogous to the circumstances in which I have found myself working over the past two decades at the World Bank. There I helped education systems in six regions of the world work through problems of fiscal crisis. In exchange for creative and often courageous policy reforms, we would negotiate fiscal support. Sometimes the size of that support was sufficient to help the borrower stabilize income and expenditures over a period of five years worth as much as one-quarter of the recurrent budget.

School districts and states in this country are unique, in that their independent source of revenue makes them, in effect, autonomous bodies. Together, they have the authority to raise and administer revenues, set salaries, and establish budgetary controls. In some respects, they are not unlike nations. But unlike nations, states and school districts have no World Bank to which they might turn for assistance. The World Bank is like an equity-owned company, in which shares are controlled by the owners. On instruction of the owners, the World Bank makes loans—with conditions. No nation borrows for education unless agreement can be reached on a set of education reforms designed to place that nation on a sustainable footing with respect to educational quality, efficiency, and equity.

Suppose there were a World Bank for U.S. education, and suppose its resources were sufficient to lend up to 25 percent of a school district's recurrent budget, for a period of five years, at a rate of interest considerably lower than the market? These incentives might be sufficient to make the state superintendent of public instruction and the district school board interested in borrowing. What kinds of policy reforms might be discussed by the World Bank in an American education context?

There are four kinds of reform categories typically under consideration: (1) elimination of less necessary programs, (2) financial diversification, (3) quantum increases in efficiency, and (4) significant improvements in governance and the process of decisionmaking.

In the case of less necessary programs, up for discussion might be characteristics of U.S. education that, by world education standards, could be seen as unnecessary. No urban school district in other industrialized democracies maintains a separate system of public transportation for schoolchildren. In Paris, London, Berlin, and Tokyo, for instance, children get to school on public transportation with subsidized fares. So, first under consideration for reform might be the duplication of transportation systems. Second might be interscholastic competitive athletics. That all students should get healthy exercise is axiomatic; but no other nation confuses exercise for interscholastic competition. Many nations, such as Australia, value competitive sports highly, but sponsor them through private neighborhood organizations instead of the school system. Could resources for interscholastic competition be raised in the United States through independent foundations rather than through tax resources?

Aside from these two areas, we might consider a long list of services that border on personal consumption rather than human-capital investment: driver's education, occupational counseling, and marching bands, to name a few. Could these be provided through mechanisms other than schools, and financed by budgets other than for education? A district might be able to

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