

# Sweden Has an Education Crisis, But It Wasn't Caused by School Choice

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In the early 1990s, Sweden introduced one of the most ambitious school-voucher systems in the world. The state still pays for education, but it gives parents the choice to take their voucher to any public or private school. In Slate, Ray Fisman, an economist at Columbia Business School, argues that the voucher experiment failed, citing the recent decline in Sweden's school performance.

Professor Fisman is right to criticize Sweden's educational system. He is mistaken, however, when he attributes the Swedish school crisis to our embrace of school choice. Regardless of how you judge the voucher reform, which is far from flawless, it did not cause the decline. The evidence for a decline in Sweden's educational performance comes from PISA, an international survey sponsored by the OECD. The first PISA test of fifteen-year-olds was carried out in 2000 and the most recent was carried out in 2012.

Excluding Asian countries, there were 24 countries surveyed — between the first and last round, Sweden's ranking fell from 7th to 23rd place. By contrast, Finland was the highest scoring non-Asian country both years. The OECD writes: "No other PISA-participating country saw a steeper decline in student performance over the past decade than Sweden."

It is easy to see why Fisman is inclined to blame Sweden's choice-based educational reforms. Sweden implemented the most sweeping voucher system in the world, literary citing Milton Friedman as inspiration. A few years later, Swedish PISA scores are a national embarrassment. At a superficial glance, it might seem absurd to deny the failure of privatization. A closer look at the data, however, tells a different story.

As Fisman himself acknowledges in passing, only 14 percent of Swedish fifteen-year-olds are enrolled in private school. (Which, by the way, contradicts his incredibly inaccurate claim that "more Swedish students go to privately run (and mostly for-profit) schools than in any other developed country on earth"; the PISA reports he's citing show other countries have much higher rates of private-school attendance.)

The remaining 86 percent still attend public schools. If the rise of private education caused the crisis, what explains poor performance in far more numerous public schools? In fact, performance declined slightly more in public school than private school, after controlling for socioeconomic background. The PISA report on Sweden writes:

In Sweden, there is no statistically significant performance difference between students in private and public schools after accounting for students' socio-economic status. Between 2003 and 2012, results in public schools deteriorated by 33 points, while results in private schools declined a non-significant 25 points.

Fisman doesn't cite any plausible mechanism through which private schools could have dragged down the test scores of the 86 percent of Swedish pupils who attend public schools. The explanation cannot be that private schools have drained public schools of resources, as private schools on average get 4 percent less funding than public schools.

One-third of Sweden's municipalities still have no private schools. Social Democratic strongholds in northern Sweden in particular were less enthusiastic about licensing such institutions, and if private schools were causing the Swedish school crisis, we would expect municipalities with no privatization to outperform the rest of the country. Two studies by Böhlmark och Lindahl suggest that school results, if anything, fell more in regions with no private schools.

In fairness, vouchers for private schooling is a separate reform from school choice, a reform enacted simultaneously. In the past, Swedish pupils were assigned to their school based on residence, with little ability to change school. Today they can freely choose schools, whether public or private. Since the majority of schools have remained public, school choice affected more students than privatization. It is possible that free choice rather than private education as such caused the school crisis. For instance, there is evidence that school choice increased socioeconomic segregation somewhat. But if segregation caused by free choice was the driving cause of Sweden's decline in PISA, we would expect the decline in performance to be concentrated among disadvantaged students. This is not the case: PISA scores have declined almost as much among children from high-income and educational backgrounds. The PISA report writes:

Student performance in Sweden declined over the past decade among socio-economically disadvantaged and advantaged students alike.

Studies with experimental methods are a more accurate way to assess the effect of school choice and private school than looking at cross-national data. And as Professor Fisman observes, several high-quality experimental studies using lottery data in the United States have found overall positive effects from charter schools.

While the evidence does not support the notion that Sweden's decline in PISA was caused by the voucher system as such or by school choice, Professor Fisman identifies other problems caused by the reform other than declining test scores, such as grade inflation. The state was supposed to regulate private schools to ensure quality, but in practice, regulation was lax.

Professor Fisman's criticism of system design and the implementation of privatization is entirely accurate. If anything, he understates the corruption caused by the lack of control. Fisman writes that the Swedish system doesn't permit schools to screen pupils, but in practice, some private schools broke the rules to cherry-pick students. Meanwhile, grade inflation has indeed become a major problem. Private schools have an incentive to give their pupils more lenient grades in order to attract more applicants. Competition for students has given public schools similar perverse incentives.

There has also been an element of crony capitalism in Swedish privatizations of schools and other services: Public assets have been sold below their market price. The business lobby acted shortsightedly and used its influence to thwart demands for more control and regulation. Fisman also brings up a scandal where a private-equity firm operating schools abruptly closed down their operations, causing chaos for 10.000 pupils. Regulation is now tighter, and some of this abuse has

been stopped, but the fact that the center-right government only acted after national scandals has nevertheless damaged their credibility.

Like Fisman, Swedes have turned sour on for-profits' running schools generally: A recent poll showed that 70 percent of the public want for-profit firms out of education and health. But the Swedish public doesn't share Fisman's view that the voucher reform failed: The same poll showed that 67 percent the Swedish public wants to retain school choice, including 59 percent of Social Democratic voters. The center-left Social Democratic opposition have promised to keep the voucher system but regulate it more.

There is no doubt that the voucher reform was poorly implemented, but this doesn't change the fact that the reform worked. Surveys suggest that parents and pupils in private schools tend to be more satisfied than average. Many of the worst schools have simply closed as few students choose them. Bullying is a major problem in Swedish schools; with school choice, children are no longer forced to attend the same school as their tormentors. Ambitious immigrant children have the option to escape the ghetto and attend better schools. Some — though admittedly not most — private schools have been innovative and significantly improved education.

Fisman points to the agency problems presented by a public-private partnership as the chief problem in school privatization — a view I have long shared. The voucher system is a form of public procurement, not free enterprise regulated by the invisible hand. Laissez-faire economists rarely argue against regulation and quality control in government subcontracting.

Free markets work well because of well-designed incentive structures, not magic. When the profit motive coincides with social goals such as innovation, capitalism produces impressive results. When incentive structures are perverse, the vigorous energy of capitalism is directed toward unproductive or even destructive aims.

As Fisman points out, the design of the Swedish voucher system ignores economics 101. Grading is a perfect example. Swedish universities are not allowed to adjust for grade inflation and have to take grades set by schools as given. This gives schools strong incentive to set grades excessively high. Students find out which schools that are lenient and take their voucher money there. Grade inflation was predictable and indeed predicted by several economists, but the problem was ignored by the center-right government.

Most of the problems Fisman points to, perhaps all of them, should have been avoidable if privatization had been enacted in a competent way. It would be fairly simple to avoid grade inflation by anchoring grades to national subject tests that are routinely given in Sweden. The state can demand long-term commitment from firms who want to open schools, and so on.

In capitalist markets, institutions intended to avoid information problems and opportunism tend to organically evolve over time. Morningstar, Kelley Blue Book and U.S. News provide consumers with information about complex products. The Swedish school system was designed by politicians who neglected to create such systems. To some extent, the childhood ills of the voucher system can be viewed as part of the Hayekian learning process of building entirely new systems — unanticipated problems can only be solved once they emerge.

The problem was that libertarian supporters of school privatization dogmatically denied the possibility of the private sector's creating problems such as grade inflation. Real capitalists know that corporations can be opportunistic and will cheat on quality if you let them. When private firms subcontract, they therefore make sure to write tough contracts and closely monitor performance. Businessmen and sophisticated supporters of free enterprise are not as naïve about how capitalism works as libertarian ideologues.

Professor Fisman is being uncharitable to the Chicago school when he writes that the idea of regulating schools "surely would have Milton Friedman turning in his grave." But Friedman explicitly stated that a voucher system requires regulation. He noted, for example:

Voucher[s] would have to be spent in an approved school or teaching establishment. True, this does mean some government regulation of the schools, but of course private schools are regulated to an extent now, to assure that attendance at them satisfies compulsory schooling requirements.

Let's return to the collapsing PISA scores. If vouchers didn't cause the Swedish school crisis, what did? The honest answer is that no one knows for sure. Swedish education has undergone several dramatic reforms in recent decades, making it methodologically challenging to identify the cause of decline.

Schools used to be financed and controlled by the central government. In 1991 local government was given control over the school system, which worked poorly, as the country's teachers' union has emphasized. Sweden's municipalities tend to be amateurishly managed, especially the small ones. Some municipalities are rich while others are poorer, which increased disparity of resources. At the same time, the teaching profession in Sweden has further lost ground in terms of earnings and prestige. According to the OECD, Swedish teachers have a "relatively low salary" level; in top-performing Finland, teachers are well paid, and teaching remains a high-status field attracting top applicants.

But in my view, the main culprit was the experiment with radically new pedagogical methods. The Swedish school system used to rely on traditional teaching methods. In recent decades, modern "individualist" or "progressive" pedagogic ideas took hold. The idea is that pupils should not be forced to learn using external incentives such as grades, and children should take responsibility for their own learning, driven by internal motivation. Rote memorization and repetition are viewed as old-fashioned relics. Teacher-led lectures have increasingly been replaced by group work and "research projects."

Grades have been abolished below the sixth grade, and homework heavily reduced. According to TIMSS (a test similar to PISA), the average hours Swedish students spend doing mathematics homework declined from 2.1 hours per week in 1982 to 1.1 hours in the late 2000s. Despite criticism from teachers, the Swedish school board has ruled that pupils are allowed to have mobile phones and wear caps in class.

The Rousseauian experiment in pedagogic method has caused a collapse in discipline and non-cognitive skills in general. The PISA report shows that Sweden has become an outlier in terms of expressions of non-cognitive skills: "Sweden has the highest proportion of students who arrive late for school among OECD countries," the report notes. And classroom discipline has declined along

with teacher authority: “The disciplinary climate in Swedish classrooms is generally more negative than on average across OECD countries,” PISA writes.

Duke University psychologist Angela Duckworth has shown the importance of perseverance and “grit” for academic success. Students who are not challenged are less likely to develop such traits. The PISA report again: “Students in Sweden reported lower levels of perseverance than students in most other OECD countries.”

Perhaps the single biggest problem is the decline in learning tempo. Once students are used to a slow pace, it becomes hard to demand more. The accumulated effect of reducing the pace of teaching over many years is substantial. The PISA report:

A 15-year-old student in Sweden in a typical study programme receives 741 hours of intended instruction time per year, compared with 942 hours on average across OECD countries.

Professor Fisman believes that Sweden’s voucher experiment proved Milton Friedman wrong since the system has seen little in the way of productivity gains.

The problem is that we’re not discussing a true market system, but a public-private hybrid. The private Swedish schools are not really allowed to innovate where it matters, with their pedagogic methods. The curriculum and rules in the classroom are determined by the state, which also trains teachers in the so called “modern” pedagogic theories. “Swedish schools have comparatively low levels of autonomy over curricula and assessments,” PISA notes.

In practice, what private Swedish schools have control over is management and cost control, and this is where they have directed their efforts. But since the public Swedish schools were pretty well managed to start with, productivity gains from privatization were limited.

Around 1990, Swedish schools were among the best in the industrialized world. Today they are among the worst. I would gladly trade privatization for returning to time-tested old-fashioned teaching methods. The optimal solution would, however, be to actually experiment with Milton Friedman’s ideas at a more than superficial level: Let parents who believe in Rousseauian pedagogic theories send their children to such schools. I and those like me should not be forced to expose our children to these nonsensical fads. Let schools compete in designing the curriculum and teaching methods, at least in a limited way. Product innovation is how free market produce real gains, not by optimizing the janitorial schedule by a few percentage points. Over time, we can test which method produced the best outcomes, giving Milton Friedman’s ideas a fair test.

**Tino Sanandaji**

Research Institute of Industrial Economics in Stockholm