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THE ROLE OF EDUCATION IN PROMOTING OPPORTUNITY AND ECONOMIC GROWTH

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P R O C E E D I N G S

MR. FURMAN: Please take your seats. This will be an opportunity for a broader discussion on the role of education and promoting opportunity and prosperity. And we're lucky to have moderating it Judy Feder, who's the dean of the Public Policy School at Georgetown. So I will turn it over to Judy.

DR. FEDER: Thank you, Jason. I also am pleased to see how many Georgetown Public Policy Institute students are in the room, which is really terrific, and bodes well for the future of policy and education.

We have had an interesting, I'd say provocative, discussion so far this morning, focusing on some specific policy proposals to promote education as a means to broad-based economic growth, making everybody better off. And we're going to continue that in our next panel which is really quite a terrific panel, not only to the earlier presentations, but to present their views and bring their perspectives and considerable experience to the full range of educational issues, starting with pre-K right on through. It seems to me we need a little more attention to the elementary and secondary level. We know that No Child Left Behind is coming up for reauthorization. We'd like to focus some on that, and then continue the discussion of what to do about post-secondary education.

It is my hope this morning that we will not simply have ideas put forward, but the shy, retiring panel that we have here might assist The

Hamilton Project, and the nation, in setting some direction and some priorities for next steps. So that is our goal.

And now let me very briefly introduce the panel, and I'm going to do it — as I told them — in alphabetical order. That means everybody had to stop and think about the alphabet, but they came through.

Kati Haycock is an advocate — indeed, one of the nation's leading child advocates — in the field of education. Starting at the Children's Defense Fund, she is now the Director of The Education Trust, where she and her organization support educators from pre-K through college who are working to promote student achievement, especially for the disadvantaged.

I'm going to turn next to Jim Heckman, who is an academic — and a distinguished academic; in fact, the Henry Schultz Distinguished Service Professor of Economics at the University of Chicago. I believe this group knows that Jim Heckman is a Nobel Prize winner and the holder of a number of awards for his extraordinary research throughout his career. And, fortunately for us, he is focusing his talents and his energies on education to assure that we garner its power to support broad-based economic growth, as well as social justice.

Moving down the alphabet further, I'm going to take us to a practitioner, Joel Klein, who is the Chancellor of the New York City Department of Education, responsible — I think it's accurate to say — for the school system from which you came, if that's accurate. It's either a penance or an opportunity. That's a good thing.

Between being a student and a chancellor of that school system, Joel Klein spent 20 years as an attorney in public and private practice, and served as deputy White House Counsel, and then Assistant U.S. Attorney in the Clinton Administration.

Joe's interest in reform is apparent to all of us from what he's doing in New York: specifically, the Children First Initiative, launched in 2000, a comprehensive reform strategy that aims to bring coherence and capacity to the system, and is reportedly producing significant increases in student performance.

And, last but not least, is Larry Summers, who is a distinguished academic and a practitioner. He serves as the Charles W. Elliot University Professor at Harvard University. Larry, they've been maligning it. You've got to do something about Harvard here. And after a five year stint as Harvard's president, where you did much, one would say, about Harvard.

Larry's career in public service is as notable as is his academic career, including both service as the Chief Economist at the World Bank, as well as the Secretary of the Treasury. And he, as are his colleagues, is more than adequately equipped to share their views and their priorities on this discussion of education and prosperity.

So, to kick of what I know will be a lively discussion — and we want to keep it that way. So, I know you all have a lot to say, but keep your remarks brief, and we'll get the conversation going.

I wanted to begin by asking each of our panelists — and then I'll sit down to lead the discussion — to comment, as they look across the full

range of issues facing all segments of the educational system, if you were to pick just one initiative — just one — highest priority, what would it be?

Kati, we'll start with you.

DR. HAYCOCK: Good morning.

You know, I wish I thought we could do one thing and change the results we need to change. Before I say my one thing, though, I think it's important to wrap that in a little context.

Our education system now — at least in my judgment — has two core problems. One is: the system itself is not performance oriented. We've been willing to put a set goal for what kids should know, but we recoil at the idea that we should actually have to get kids to those — despite a lot of evidence that our kids are falling behind kids in other countries, and that a lot of our kids are exiting school without even close to the skills they need.

77 percent of our principals and superintendents think things are fine, kids are learning enough, even in mathematics. And we pay our teachers the same, whether the kids learn or not. And we frankly don't fire anybody.

So part of the problem is we've got a system that's not about performance and we've got to change that.

The second part, though — and the one that I work on every single day — is that: as bad as that is for kids in general, it's much worse for the kids who actually most need quality schools.

When you look at how we're organized in this country, what you basically see is that we take the kids who come to school behind, with less, and we turn around and give them less in school, too. We spend less on their

education; we assign them our least well-prepared teachers. We actually teach them less and, as a result, they learn less. Yet, when they do that, we turn around and blame it on them. And then when people like this guy sitting next to me actually change that, try to actually put more into the schools that most need it, we beat them up.

So, it's both about performance, and it's about equity — and not one thing is going to change all that.

But if you ask me what's the single most important ingredient of getting all of our kids — but especially our poor kids and kids of color — to higher levels of achievement is: absolutely high quality teachers. We absolutely have to attract more to the profession. We have to encourage more of them to stay. But most important: we have to get them to the kids who most need them.

DR. FEDER: Thank you, Kati.

Jim, you asked for a special dispensation.

DR. HECKMAN: Right — I'm an academic, and therefore I'm going to give a slightly more academic response.

I actually prepared a handout, which you have. And I'd just like to go through it very briefly, because one of the reasons why I came here today was that I felt that The Hamilton Project was actually trying to provide some kind of quantitative approach; some real assessment. And I want to try to bolster, maybe, the quantitative case.

And I want to lay a few facts out, and then maybe talk about policy. It's implicit I'll be endorsing what Belle Sawhill was talking about earlier.

But I just want to make a couple of key facts which is that: when we look at education and understand educational statistics, we really do need to understand that some of the data that we operate on in understanding the system are really badly flawed. And so, for example, if you look at the very first figure, you can see that the official dropout rate in the U.S. high schools has apparently been declining in the last 30 years. But if you count GEDs — those people who pass, and by exam certification, the true dropout rate is actually rising.

And the reason why this is significant is that GEDs are actually individuals who perform in the labor market more or less at the level of dropouts and, in some cases, worse than dropouts. That's kind of Exhibit A.

Exhibit B is that we have a lot of interest in the question of who's going to college. So we had this session earlier today where people were talking about: we have college attendance, and there's been a slowdown in the growth of college attendance. The second graph just charts something that's been studied very often. When we look at the rate of attending college, and we see it slowed down for people born after 1950, it started picking up later on.

The key source of this slowdown, actually — after you get rid of the Viet Nam blip — was actually the growth in the dropout rate in the United States. GEDs may go to college. They go at a rate of 50 percent. They rarely

graduate college; they rarely stay more than one quarter. I don't know if that's experimentation, or whether or not there are other factors as well.

The third exhibit also came up today in the discussion. And this is from some work that I did — all this is from a book that I'm finishing now. But the third is this question of what explains gaps?

Now, Susan put up this graph showing there are very substantial differences between ethnic groups in college participation. We can go back to the ninth grade, to completing high school, to graduating, to entering college. One major fact that's emerged from this work in terms of the racial gap — and this racial gap is very important, because our workforce in the future is increasingly coming from minority elements.

One finding — and this is one of the more recent findings from my own work — is that once you control for ability — once you control for the ability of the child, cognitive and non-cognitive abilities at the time kids are going to school — that actually, family income factors are very second-order. Tuition plays a very minor role in explaining these gaps.

And, in fact, the gap which, say, in completing ninth grade is 16 percentage points in favor of Whites over minorities, becomes negatives. Minorities are more likely to go to college; more likely to be on time in ninth grade, and more likely to graduate high school.

The fourth exhibit is something that was a point also made by Belle Sawhill. It's in the literature. This comes from a paper I did with Pedro Carneiro. And that is: these variability gaps that are so predictive about educational gaps — who graduates high school — those start out at a very

early age. So, by age six, most of the gap that you find at 12 and at later ages as well, across people from the highest income quartile and the lowest income quartile, really start out certainly by age six, certainly by the second grade — by age eight or so.

So that abilities gaps open up early. And I would argue that all the evidence shows the schools are not contributing substantially one way or the other.

So the final point that I would make — and this reinforces what Belle Sawhill was saying — is that when we look at programs targeted toward disadvantaged children, what we know from empirical studies is: the pre-school programs have a high rate of return; schooling, relatively lower; job training, lower yet. And this has to do with the dynamics of skill formation.

So I would just suggest that we prioritize. But, I mean, one thing that I noticed in the studies here is that there is too much maybe of a shotgun approach. And I think actually there is a framework where we can start understanding the importance of early education, how it plugs into later education, and maybe think about priorities.

So — that's more than you asked for, but I would say early childhood programs have a very high rate of return and in some form should be supported.

DR. FEDER: I think you delivered just fine. Thank you.

Okay — Joel.

DR. KLEIN: I'm going to be uncharacteristically accommodating and say I sort of think both of them are right.

Early childhood investment, I think, has the potential to pay serious returns, but it's going to depend, as Kati said, on the quality of the teachers. And that, to me, is the magic ingredient.

And if you want to think about changing education — you know, when you say: what's the program — that's been the discussion in education since Brown v. Board of Education. And, quite frankly, we've spun our wheels for the past 53 years.

Everybody's looking for the perfect curriculum. I saw that on the last panel. Everybody's looking for the right class size; after school, pre-school; start them younger, keep them longer — and all of that. And, quite frankly, those things are important, but they are so dramatically incomplete.

And the two things that I think need to happen are at the core of what I think Kati's been talking about. And the last panel evolved in that direction — and that is: to move away from program and start to talk about culture.

What is it that we hold the system accountable for? And how do we incent behaviors in the system to produce the results?

Right now it's hard to imagine an organization that has its incentives as misaligned as public education in the United States today. It is scary the way we reward people; it's scary the way we hold them accountable. And, indeed, we don't even seriously hold them accountable for anything.

So, in my view, you need two cultural transformations. They're highly interrelated, and they're going to be enormously resisted by the entrenched interests in the status quo.

The first is from an inputs compliance-driven system to a performance and outputs basis. You know how many people ask me how much do you spend on X, how much do you spend on Y? And they don't ask the question: "What do you get for what you spend?"

The myth that we're going to buy our way out of this problem is refuted by empirical evidence. Here in the District of Columbia they spend $20,000 a kid, and they get much less good results than we get in New York City at $12,000 a kid. It's not that money doesn't matter; it's how you spend the money. And the concept that applies to any rational organization is: what is the return on investment? That's what Jim is talking about with early childhood investment.

In public education we don't talk about that. And we just assume there's this limitless flow of dollars. And every question I get is: how much do you spend on X? Or, "Do you fill out these forms?" Or we've got another regulation that will tell you how to do your work so everybody's got to have the exact same class size. It's absolutely nutty.

What we need to look at is a system that focuses relentlessly on student outcomes: how many kids go to college? How much did you improve scores? And I'm talking about gain, not absolute score — how much do you improve scores for different kids, with different investments? What's the significance of it?

And in the system everybody has got to be held accountable for the performance of the students. And a second and correlated cultural change is to move from a culture of non-differentiation — a teacher is a teacher is a

teacher, and the only differentiation is how long she stays or he stays in the system — to a culture based on merit of performance, tied back to that performance I'm talking about, and the needs of the organization.

If you paid people exactly the same to go to highest needs school in New York City, or to go to our highest performing school in New York City, with the exception of Mother Teresa, they will all go to our highest performing school. That's what we do, that's why we have what Kati aptly described as a serious, extraordinary, misdistribution of adult talent in the system.

53 years after Brown v. Board, we don't remotely provide every kid in America an equal educational opportunity. And we ought to get serious about it.

DR. FEDER: Thank you.

Larry.

DR. SUMMERS: I'm sure I have one reform, and I have one prism through which we ought to view this issue, and that's equality of opportunity. Whatever you think about inequality in the country, whatever you think about efficiency, nobody's against the ideal of equality of opportunity. And we're not doing well as a country.

If you look at the correlation between parents and children, ours is substantially higher than that in many European countries. It's very difficult to measure, but it's very unlikely that in the last 25 years we have improved with respect to equality of opportunity, and there are some reasons to think that the situation has actually deteriorated — in the sense that the gap between the

life prospects of the children of the fortunate and the children of the unfortunate has risen.

And if there's one thing that we want to succeed in with respect to the legitimacy of our system, I think it's the creation of equality of opportunity.

That embraces everything that you have heard today, but it goes fundamentally to question relating to the financing of our system. If Choate gets a new gym, the Federal government pays 40 cents of every dollar of that gym through the tax deduction for charitable contributions. If a high-income suburb of a major city decides that it wants to improve the quality of its public education, a significant part of that is subsidized through the property tax deduction, and a larger part of it is subsidized by the fact that because the well-off congregate with the other well-off, and we have a locally financed system, the better-off get more education, with lower tax rates, than the less fortunate.

And as long as that's true, there is going to be a very substantial perpetuation of inequality in the country.

So what I would ask is that we look fundamentally at the modes of finance. As Joel suggests, there are important issues within individual school districts; there are important issues across school districts — again, if you're less well off, you get to pay at a higher tax rate, with less federal subsidy through the tax system, for a lower level of education than if you're better off.

There are issues across districts within states; there are issues across states within the country as a whole.

This is an area where both sides have a point. There is a need for more resources in many places. Those resources have to be distributed more fairly. And they absolutely, categorically, have to come with much more accountability than we have to date.

The reason the American system works well is that the idea is to please the customer, not to please the provider. In education at every level we have a system that is run for the convenience of the provider, rather than for the convenience of the customer.

DR. FEDER: All right. Those sound like fighting words. We can take them on.

But I wanted to go to the early childhood investment, and I want to ask you all or any of you to comment on: that's the area, among the proposals we heard this morning, we heard the proposal for the most substantial investment, with the argument that it can do the most good. It raises questions about putting resources there, in terms of value for the dollar. It raises questions about whether we put it in, are we going to get accountability; how we would get accountability; getting quality teachers.

I'll appreciate your all commenting on that — investments in that area.

MR. : Again alphabetically?

DR. FEDER: No — I suspend the alphabet now.

DR. SUMMERS: Look, I think the easy judgment is that we should be investing much more in research and experimentation and evaluation

of alternative approaches in this than we have to date. And we should know the answer much better than we do today.

I suspect there's a good chance that Jim and Belle are right that it's the highest return investment. But I think as a country we need to be extraordinarily cautious about extrapolating from individual programs with 100 students, or 300 students, to massive entitlements that will involve hundreds of thousands of students.

And so we need experimentation on the way to the creation of these investments. And we need to think very hard about models that will scale to the tens of thousands of teachers and administrators who will be necessary.

So — yes to the concept, but a lot of caution about the implementation.

DR. FEDER: Okay, you're saying not-ready-for-prime-time.

Jim, what do you think?

DR. HECKMAN: Well, I think one has to be careful — I certainly am in favor of research and further scholarship. But I think the case for early intervention goes beyond one or two experimental studies — obviously Abecedarien or Perry.

Belle referred to this in her talk, and there's a lot of evidence. When you look at parental inputs, you look at the enormous differences across children from advantaged and disadvantaged circumstances, we've documented that. What's also been documented is what demographers now call "the growing divide" — that more educated women are actually —

because of the awareness of the early years, more educated women are actually spending more time with their children, even though they're working more, so there actually is more time investment. Less educated women, families from disadvantaged households, children from disadvantaged households, are actually spending less time.

So what you're getting is a gap. So we know that the problem is there. And we also know that we can document the lack of resources spent there.

A lot of studies show — that's a graph I was showing about the emergence of early abilities and their powerful role in predicting. Well, with all due respect to the Commissioner here of the schools in New York, most of the studies that have looked at variation of student expenditure — not to say we can't improve the efficiency of schools. I'm fully in favor of incentivizing.

But most of the studies — going back to the Coleman Report and many other studies — have shown that families and family environments are a major factor for success of students in schools. But getting the family to participate, getting the architecture of the child into the school — I would make another point about improving the efficiency of schools will come from essentially improving the capacities of the children going into the schools to start off with. One of the benefits of Perry — and, obviously, Abecedarien — is the massive reduction in special education and all of the kind of remedial work that's required if we don't start early.

So I would argue — I agree with Larry completely — we need more evidence. In fact, I don't reason this way. I think we want to look at

models and all of this evidence together. A truly scientific approach is not just going to look at one randomized trial and extrapolate from it. I think what we want to do is look at the basic science, the neuroscience, and the economics of it, and we put that together, we find lots of indications that the early years are important.

We find inventories that suggest we're neglecting those early years, and we're getting high returns. And this is both from experimental data and non-experimental data. So it's not just one or two studies. I agree, we don't want to start with 121, or 123 Perry people and build — you know, to spend billions of dollars.

But I think its more than that. I think there's a very strong, growing body of work in neuroscience, economics, psychology that all points in the same direction. The exact policy — I agree with Larry completely—we need, I would argue, a more decentralized approach with lots of policy experiments to try to find out what the best approach is. But those are ongoing, here and around the world.

DR. KLEIN: I agree with you. I'm going to say, Larry, we keep making this massive K-to-12 investment, and we keep investing more and more and more. And yet the results are flat-line. So it seems to me that the evidence is clearly on Jim's side, that if we were to invest earlier on, and start to close the achievement gap earlier on you get much better return.

Right now, when you say the average African American kid in high school is four years behind the average White kid in high school, there's just so much power over high school education to remedy that. And, Jim,

surely you're right: the family plays a big role. But that's no excuse for not making sure the schools play the role they need to play.

And for far too long, we've used things like, "It's the family," "It's the kid," and all of that to explain away what Kati and others have demonstrated: that the school can have a significant impact on changing the achievement gap for kids.

So I don't gainsay how important family is. But I agree basically with your thrust that we are under-invested in the three to five-year-old rang, compared to the five to 18-year-old range.

DR. FEDER: But do you think that if we do make the investment — it seems to me that the objective, and Jens' and Belle's proposal was to build a constant evaluation and research component into the investment.

Do you think we can do that — Kati?

DR. HAYCOCK: Absolutely. And I think it's exactly the right way to go. We do need careful research and monitoring. But I agree very much with Jim: the evidence is there. And there are some large-scale efforts now.

If you look at what's going on in Texas, under Susan Ladrey's leadership — very high quality stuff, very high quality teachers, and terrific curriculum materials to support those teachers. I mean, I think there's a clear sense we can make a big difference.

I want to be clear here, though: you can't expect to have this fix everything, though.

We have this little romance in this country, that if we think about education sort of like we do immunization: if we just get the kids sort of early enough, we can immunize them against later school failure.

Education isn't like immunization. You've got to get it right early — and I hugely believe in that. But you also have to keep getting right.

I mean, if you look at us compared to other countries, we're actually fairly okay in the elementary grades, and we slip further and further behind in the secondary grades — not because our kids aren't growing, but because they're not growing as much as kids in other countries.

So it's important to get it right early. And I absolutely agree. But we can't think that that will somehow keep us from having problems at the secondary level.

Our high schools suck. We really, really need to get serious about the intellectual development of kids in high school. And starting early will help that. But it's not the only thing we need to do.

DR. KLEIN: Jim, how do you—I mean, look, it's clear we should be doing this at multiple levels, and it's clear we should be doing much more in the early childhood than we are today.

DR. HECKMAN: Right.

DR. SUMMERS: I think the question of getting where we want to go is best achieved by making commitments that approach the $40 billion a year level today, or whether it's achieved by going up by a factor of two from where we are today, and using that experimentally and setting a strategy from there seems to me to be a much more open question.

But, Jim, how do you answer the concern which I had also been struck by, that Kati raises, that American kids look reasonably good in elementary school, and look quite bad in high school? And what does that say about the appropriate priority for us?

DR. HECKMAN: Well, I think, though, when you start looking at grade progressions — kids starting late and then falling behind — it's a cumulative process. So, you know, you've had more time to accumulate. So by the time you're in high school, all of the oppressive environments are aggregating up for one year, two year, three years. So there's slow slippage behind; big fallback at ninth grade. That's a big barrier for getting people past that.

So it's a cumulative process. We do know, for example, that the first two years of school are quite important. But there are gaps that open up even then. They're just a little less noticeable at that point.

You know, this is what we know about the development of the human being. It turns out that IQ and some of the measures that we build a lot of policy on are actually fairly fluid, fairly flexible, up until about age eight or 10. After that, they get very highly correlated; socio-emotional skills a bit later.

And so what I'm suggesting is that: yeah, we have a little change to experiment around. It's not just pre-school. We know the first couple of years of school are really vital. Bill S. Entwhistle's work in Baltimore has shown that.

So I don't want to make a sharp barrier between school and pre-school. But I think what we do say is: A, there is less chance to observe the slippage. Just think of it as like building; you're building a person. And as you keep putting fewer and fewer inputs into the disadvantaged kid, and more and more inputs into the advantaged kid, these gaps just start to grow. And what's bad about it — what's dangerous, I think, and what's harmful — is that there are these notions of critical and sensitive periods, in the sense that there are some irreversiblities.

So, for example, in a paper that I presented here a few months ago, we considered the alternative of saying: suppose you wait. Suppose you don't invest in Perry. And suppose you want to get Perry-like results, would you do it in the adolescent years? Well, you can do it. But it's a massively more costly process, precisely because of the technology of skill formation. So the optimal policy is not to say "invest only in the young." You have a staged sequence. I just say that empirically today — at least for disadvantaged kids — we're doing less. You know, the American family, I think, is under stress. A lot of the advantages that middle class kids have disadvantaged kids are not getting.

And so I would argue on those grounds that there's nothing at odds with your observation. It's just that it becomes more apparent later on. And the irreversibilities get to be real.

Look at the studies done on trying to teach literacy to 17-year-old kids; people who can't read or write — atrocious. You know, the job training programs — people were worried about, you know, the Job Corps,

saying you could have a huge effect. A recent study found Job Corps, which is a very intensive training program for disadvantaged young people, had a zero rate of return when it was done by the experimental evaluation.

So it's not to say we can't do better. So I completely agree with Mr. Klein. I think there really is a sense that — we always want to experiment, so it's always possible we can come up with a quick cure. But what we know now says that those later remediations are very, very costly.

DR. FEDER: So let's agree for the moment — with some dispute about how much of an investment. Let's say we're going to invest, and move on up the continuum, and take on some of the issues about making the school system better at higher levels.

Kati made a strong statement about the status of the high schools. Joel, you want to talk to us about what you're doing about it, and what you think we ought to do about it at the Federal level, as well?

DR. KLEIN: She made a strong statement that embarrassed the Chancellor. We don't use words like that in public education.

(Laughter)

DR. HAYCOCK: That's right. I was educated in Los Angeles, not New York.

DR. KLEIN: In New York we're known for being polite. Exactly.

(Laughter)

What we're doing actually — it's a very interesting thing. And I must say — I just want to go back something Jim said, because I think it's very

important, but it's important in a way, Larry, you should push much more broadly.

We don't know, intelligently, whether we should be making the investments at the middle school, at the high — you know, we just assume an infinite amount of money. Now, we'll put more money against all the various problems.

And so even when you think about focusing on a weighted student funding formula, so that each kid — and the question is do you —

DR. FEDER: Weighted? Go ahead.

DR. KLEIN: Meaning, basically, instead of looking at how you fund a school you look at how you fund a student.

DR. FEDER: Okay.

DR. KLEIN: And Kati and other people have done a lot of work on this.

Just the first question is: do you weight high-school kids — put aside whether they're poor or rich, English language learner, special ed. Just do you weight high-school kids differently from elementary and middle?

And there's very little intelligent thinking about investment and return on investment in educational policy. And I must say I think Jim's hunch is right. My only concern, Jim, is a lot of money got spent on pre-K programs and got very little return because of the quality of the program. And if you don't have a microeconomic approach that is macroeconomic analysis, I think you're going to miss a lot.

On the fundamental entry to high school, it's interesting: Bill Gates, who Larry and I once, when we were in the Clinton Administration together, had discussions about. I was suing Microsoft, and the Secretary of the Treasury apparently thought that that was a matter of some concern.

(Laughter)

But in any case, Bill has made this huge investment. He's put over $2 billion in breaking up these massive dysfunctional high schools. So in New York City, when I got there, we had a lot of these schools that were overwhelmingly African American and Latino kids, high poverty, with graduation rates — and I use the term "graduation" loosely — with graduation rates of about 35 percent. And real graduation, meaning a Regents Diploma, of about 10 or 12 or 15 percent. So these were fundamentally failure mills. And there were 3,000, 4,000 kids.

And we've broken those up into small, highly academically focused, and with community partnerships — so it's the Ages Society, College Board; whether it's Expeditionary Learning and all of these groups — all involved. And we've opened up about 200 of them. Our first cohort of 15 graduated this past year. And basically they doubled the graduation rate of the schools they replaced.

Now, will we be able to sustain that over multiple years? We'll see. But Gates, at least, thinks that you can get a huge return — and he's a man known for prudent investment — get a huge return on investing in restructuring high schools and changing the fundamentals of what a high school education is about.

DR. FEDER: Kati, did you want to comment?

DR. HAYCOCK: No.

DR. FEDER: So you're talking about making the investment, but making sure that we evaluate as we go along. And are you able to do that? Are you able to get the research you need? Or not so much?

DR. KLEIN: No.

DR. FEDER: Okay.

DR. KLEIN: I mean, I think research in this field is very—

DR. FEDER: Kati's going to tell it like it is again.

DR. KLEIN: The research in this field sucks.

(Laughter)

DR. HECKMAN: But it's not non-existent. I think part of the case — I mean, I don't want to sound like a zealot here for one form of intervention over another, but a lot of my earlier work was actually on job training, and on remedial programs in high schools and the like. And I found that those returns were relatively low. I'm not saying we can't improve those programs.

So there is a body of knowledge there. It needs to be improved. It definitely has to be improved.

But I think this curve that I was drawing here, showing these kinds of declining returns for disadvantaged kids, I think there's a basis for that. If you're looking at a rate of return to going to college for a kid who doesn't have very high level of motivation, or very high level of cognitive

ability, it's not zero. But it's much, much lower than it is for somebody who has come from an advantaged family. So we have some evidence on it.

DR. KLEIN: I agree we have it, but these cultural factors are so — for example, I mean, I spend all my time, and I know Kati spends a lot of her time — what I'm trying to look at is two schools: elementary, middle, high school, which have the same cohort of students and get very different outcomes.

And this is really important because scalability is one issue. But the first question is: can you demonstrate it? So there's a place up in New Haven called The Amistad Academy. It's 100 percent African American and Latino kids. They take kids in the fifth grade, so you know what their entry level scores are. You can hold constant the creaming factor. And their kids happen to be almost a representative of what New Haven itself is: they're about 30 percent on grade level in the fifth grade.

By the time those graduate in the eighth grade, those kids are at 80 to 85 percent proficiency, whereas New Haven is still in the 30 to 35 percent range.

Now, I understand the challenge is scalability. But the question that we need to explore in a much more thoughtful way is: what is creating that difference? And the best piece written about it was a piece in the Sunday Times Magazine about two, three months ago. They looked at CHIP, Amistad and Uncommon Schools — Amistad being Achievement First.

And what they're showing is: taking kids in the fifth, sixth grade and getting highly differentiated results by the eighth, ninth grade. And we're

seeing some of that even at the high school level, taking kids in the ninth grade.

Now, I agree with you that the studies you're pointing to are very powerful, and I'm side-by-side on the notion we need to invest significantly in pre-K. But I don't think we've begun to scratch the surface of knowing what the potential is for other investments.

And Larry said it perfectly: the system runs for the benefit of the adults, to the people who provide the service. We have no meritocracy. We don't pay people differentiated sums of money based on whether they work in the hardest, most challenging school or the highest performing, easiest school. We don't assess people based on performance. You get tenure pretty much by showing up, and you can stay there forever. And every year you get an increase in your salary just for showing up. There's a lock-in effect because of the way the pension program works, and across-the-board pay hikes.

So to answer your question, Judy: if the culture is dysfunctional, then it's hard to know what the ultimate outcomes of significant investment in other arenas. And that's why I say the same thing is true of pre-K. We can invest a lot of money, and we may be able to get more of a return investing earlier than late. But the question is: do we have the preconditions necessary to really start to get optimal returns and to think about how we would then make our investments. And I don't think we're remotely there yet because of the culture and the organization.

DR. HECKMAN: Well, can I ask you: is it culture, or are you being more specific about, say, unions? Or certain restrictions—

DR. KLEIN: It's the whole civil service structure.

DR. HECKMAN: So how would you free it up, I guess is the question. What would be the way that you would see to incentivize? Everybody agrees—

DR. SUMMERS: For example, Jim, I guess — let's assume we were going to establish for every kid, or for some very large group of kids, something close to an entitlement and expectation of some very large part of your life was going to be involved with school between the ages of two and five, say.

Should that be done by a system analogous to public schools, where there are districts and contracts and all of that? Or should it be done by a system analogous to higher education, where there's sort of many different flowers blooming? The government's playing, there are private institutions — all of that? Or should it be done in the way that the voucher people suggest, where the government pays for everybody, and it's up to parents to decide? And how large a commitment should we make to making this investment until we've done enough pilot-project research in different places to have more than educated guesses about the answer to what the right modality is?

DR. HECKMAN: But I would go one step further in your idea — and Rob Dugger has worked on this in the group, the Committee of Economic Development. But the idea would be to try to bring in as many participants — especially in the pre-K area where it's more fluid. The institution hasn't been structured — to try to bring in business, to try to bring in other sources of funding that are non-traditional here, to try to support.

Because right now, any kind of government program is going to be heavily, heavily under pressure now, I mean just because of all the competing demands. So you want to try not only to have the incentives within the system, but to bring other parties in the system to try to bring resources to that system — right?

So you would want, I think, to have a variety. Certainly in the pre-K area, where the system hasn't been set up, you'd like to have a variety, hundreds of flowers blooming, not only to provide information about alternative approaches but, I think, to attract funds, and to get people and probably new ideas from the funders. So it's kind of the openness to ideas and, of course, to resources.

I think something similar probably would be valuable in higher levels of education as well, to bring in community involvement — just because the schools are strapped and the state governments are strapped, the city governments are strapped. So I think that's an option that should be — so I'd supplement your suggestion and say: let thousands of flowers bloom, not hundreds.

DR. FEDER: Well, I think there's probably much more to be said by the panelists on the issues of changing the culture and the ways in which we might do that. But I imagine that many of you would like to evoke some of those thoughts, as well.

Let's open the floor to questions. Please raise your hand so we can get you a mike. And introduce yourself.

I saw one here, to start; then next.

SPEAKER: Good morning. My name is Ben, and I'm a graduate student at the Georgetown Public Policy Institute. And this is a question for Mr. Klein, but for anybody else who would like to answer as well.

I was very interested in the idea of a meritocracy, which you mentioned earlier, and kind of realigning incentives within the teaching profession. I think the question in my mind comes with how you do that.

And I'd be interested if you could elaborate on how you reward teachers more effectively. Specifically, it looks like you could reward for performance on tests, but you might run into trouble because not all subjects are tested. You might run into trouble because tests can be pretty noisy — as I think some of Dr. Cane's work has shown before. Or you could use evaluations, and would guess — are you concerned about subjectivity in principal evaluations?

So I think the idea is tremendously compelling for me. But I'm really interested in how that would actually work.

DR. KLEIN: I'll say a couple of things. First of all, I'm glad the idea is compelling. And I think this goes to Larry's point. We need to be able to try out various implementations and see what the results are. But let me give you a few ideas that I think are pretty basic.

All organizations that work well tend to be organized on the basis of merit, usually. And we tend to find criteria by which we evaluate performance. Goldman Sachs doesn't have this problem when it recruits people. Microsoft doesn't have this problem when it recruits people. One of the big aha-moments in Gates' life was when he discovered that his greatest

competitor was Goldman Sachs, because they competed with each other for rare human capital.

So the question of how you evaluate is important. The first thing I would do, though, is you've got to pay math and science teachers more than you play other subject matter teachers. Because at the same price, you're getting a very different intersection with the supply curve. And as a result of that, I am chronically short math and science teachers, and when I'm short math and science teachers, I'm short math and science teachers at high-needs schools.

Second of all, I would pay people differentiated sums based on the nature of the challenge, trying to attract people.

And third: some system of objective and subjective. Sure, you can't test everything. You might want to have school-wide incentive programs so that the scores will — basically, you get a collective interest in it. Second of all, as we move to more subject matter evaluation, there are going to be ways to differentiate. And believe you me: when I say that one school I talked about went from 30 to 80, while everybody else stayed at 30, that's a difference that isn't in the noise of the testing.

And then I think some dimension of subjective evaluation. Subjective evaluation is usually — as long as you have meaningful performance criteria — subjective evaluation is oftentimes the way we hold people accountable in all sorts of enterprise. And there's no reason we shouldn't do so in public service, as well.

The final answer is: as you evolve these things we'll try different mixes, different approaches. But we've got to have much, much more fluidity in the system than we do now under the civil service lockstep: pay based on longevity and life tenure, which is exactly the opposite set of human incentive.

DR. SUMMERS: Every organization in America, with very few exceptions, other than the public schools finds a way to define what constitutes a good job and reward people more to do a better job than a worse job. There's always a mixture of objective and subjective; you know, "Did my division make more money than Jim's division?" Well, that's relevant. But, of course, Jim's circumstances were different from mine. Somebody makes that decision and gives us different compensation.

It happens in every other part of the world. And by the way, it happens at the leading private schools.

And it's just not plausible to suggest that there's no way of distinguishing good teachers from bad teachers. And by the way, if you walk around in any school and you talk to the principal for five minutes, and you walk into the faculty lounge for five minutes, and you ask who the better teachers are and who the worse teachers are, you'll find there's a nearly universal alignment of view.

So, the single least plausible argument against merit pay is that it's impossible to know where there's merit.

DR. HECKMAN: But on the other hand, we do know that teachers matter. There are all these studies where you look at individual teachers, and they have a huge effect — the kind of studies you're suggesting.

But the kind of "objective criteria" that are used, things like M.A. degrees, various aspects of certification, even their performance on standardize tests, those aren't such good predictors.

So then you're getting to a really core issue about using these subjective evaluations. And that seems to run counter.

So are you suggesting privatizing the schools?

DR. SUMMERS: In every other — take the Army. The Army's a public institution. It's a governmental institution. It's shot through with politics. The Army has no difficulty evaluating all the lieutenants and saying that some of the lieutenants were better than other of the lieutenants. And those lieutenants get promoted, and the other lieutenants don't.

So I don't think it goes to a need to privatize.

DR. HECKMAN: Well, no, no — I mean, you're jumping ahead here. I mean, don't forget that in the Army — I've looked at this a lot. Military is a great area, because you can actually test, specifically: can you fix a tank, can you assemble a rifle?

The question is: when you're building a kid, you know it's not just one teacher, it's the whole system. And the sense of accountability—

DR. SUMMERS: You don't have—

DR. HECKMAN: —it's much harder to measure the output and assign it to a teacher than it is to see how well a soldier can fix a tank.

DR. SUMMERS: Look — you don't have a moment's doubt; just take at the University of Chicago, which is a highly selective University, or Harvard. There's variability in the quality of the teaching force. It's huge. Why would you think it's any different?

DR. HECKMAN: For some of the same reasons—

DR. KLEIN: Let me show you. Erik Hanushek and other people have done all these studies on this, and it shows. You give a kid — a high-needs kid — a good teacher three years in a row, and you'll watch the gains.

Now, I said to this gentleman I don't think test scores are the perfect metric, but they're not an irrelevant metric. So if Kati Haycock has a class, and her class in the fourth grade had an average scale score of 600, and she took them to 640; in my class, I had an average scale score of 602 and I took them to 611, then Kati Haycock is doing something different in that class.

And there's study after study that shows that difference. She should be rewarded differently.

And as far as subjective evaluations — of course anybody who gets tenure in Harvard University goes through a highly subjective process. Is it perfect? No. But the alternative, to give everyone tenure, would be loopy.

So what Larry says has to be right. It cannot be that K-to-12 education is the only organization in the world that we can't distinguish on performance.

DR. HECKMAN: But some are input based, some are output based. It depends on how well you're going to measure the output. I mean, in education it's relatively harder.

But you keep skirting around the issue—

DR. SUMMERS: It's not harder. It can't be that if every kind of manager, every kind of employee, every kind of worker in the economy somehow we find ways of measuring their productivity and rewarding them. It can't be that it's completely impossible in education.

DR. HECKMAN: No, but you can use subjective information much more in the private sector — much more. And we know who's a good teacher. We can look, we can see.

DR. KLEIN: The military uses subjective information.

DR. HECKMAN: No, I'm saying that's good. When you use that information, that's very predictive. I just think you're handicapped from doing it by the kind of rules you're talking about.

DR. KLEIN: Well, I don't think it inheres in the public sector.

DR. HECKMAN: No, I think it inheres in a public sector that's heavily regulated, that has these tenure systems that makes it very difficult to use private information. That's all I'm saying.

DR. FEDER: But this is half the challenge, is to adapt the systems and look for new ways.

DR. KLEIN: Exactly — to provide incentives within the system. I completely agree.

DR. HAYCOCK: And let's be clear that it's not just the rules getting in the way here. I mean, I thought the paper Robert Gordon and others did last year for the Hamilton project was a very good, sensible idea: look at the value-added ability of teachers. If in the first three years they don't produce any kind of growth in student learning, don't give them a lifetime contract.

You could do that in almost any school system in America. There are no rules against that. You can let a teacher go, not renew the contract, if they look cross-eyed at you.

DR. SUMMERS: You should probably get rid of lifetime contracts completely; have reviews every three years—

DR. HAYCOCK: That paper has a very sound proposal, one that we could act on right now. Right now.

DR. KLEIN: We're trying to act on it New York City. Let me tell you — there's a lot of people trying to throw a lot of rules at us.

DR. FEDER: Another question?

MS. FRANKEN: Charlotte Franken, with McGraw-Hill. Joel and I know each other.

Let's talk about another system — the system of the schools of education. All right? They graduate people. They do all kinds of things. Do we have any idea how well they perform?

Because I could go back — and I remember when I was the head of curriculum instruction, meeting with all the deans of the schools of

education in the city and saying, “When your kids graduate, they become our teachers. We suddenly have to clean up and start preparing them better.”

Do you have any sense about: should we do anything with schools of education?

DR. HAYCOCK: I have an answer to your question.

In two states now — in Louisiana and Ohio — and about to be in Tennessee, we actually have data on the value-added of the teachers produced by the institution that produced them. And in Louisiana, for example, there’s very close inspection of those data, with a clear signal to institutions that are producing disproportionate numbers of teachers who simply can’t grow kids’ learning, that they’ve got to improve that or close.

So there’s some movement on this issue — slowly. But finally I think there’s at least a few models of what we could do if we were actually serious about this.

DR. SUMMERS: I’d say three things about this.

First, because of the compensation and all that, you have an input problem. The data are not altogether clear, but it appears that the average person going into teaching scored somewhere in the 900s on their SATs, combining two tests. It’s going to be hard to produce great high school physics teachers out of that population, no matter what’s done in education schools.

Second, there’s a very core decision this society has to make: is success in the schools about literate, articulate, numerant people, with self-

control and a work ethic? Or is success about self-esteem for the students, and fulfillment for the providers?

And the country has to decide what it wants.

The education schools, for the most part, know the answer to the question — and it's the latter. And as long as that value runs through those schools, the contribution that they're going to make is not obviously positive.

The third thing I would say is: we need to do something about the stranglehold the education schools have on entry into teaching. God knows, I've got my problems, and there's a lot I don't know. But I would humbly suggest to you that I am capable of teaching high school economics in the State of Massachusetts. That is not a judgment that is shared by the law of Massachusetts.

Private schools are not encumbered by these restrictions, and they do not gravitate to the graduates of education schools as their teachers.

So we should break the stranglehold; all kinds of alternative certification. Those with responsibility for those institutions should look to their underlying values. How much are they about rigorous evaluation, and how much are they about speculation on the nature of the educational process?

But we shouldn't blame them. A lot happens in the pool of people right now who are deciding to be teachers in our country, given the set of incentives the system has.

DR. FEDER: Joel, did you want to comment?

DR. KLEIN: No, no. Larry's third point, it seems to me, is right. They also have a virtual monopoly stranglehold on who comes in the profession, which is critical.

I've proposed, for example, Charlotte, that we be allowed to train and do a study. We have 2,000 teaching fellows, each of whom has to get a master's degree that we pay for. And I have proposed that one out of every 10, randomly selected, we train, and then we do this value-added analysis, and see how ours do, versus the various universities. And, of course, we're not allowed to do that under the law.

So I think that's a big part of it. And let's be honest: like most organizations that have a monopoly through their ability to credential, they run by and for the benefit of the ed schools. That's what they run for.

DR. SUMMERS: Can I say — it is not that there is not a desire of people to go do this. If you look at Harvard, if you look at Yale, if you look at Brown — if you look at any of the schools— 8 to 10 percent of the class applies to Teach for America, the one institution that Goldman Sachs loses to in recruiting. It's not Microsoft, it's Teach for America. And in half the major cities in the country they can't get in — many of the major cities. I don't know that it's half. In many of the major cities in the country they can't get in because of all these rules about credentialing and the like.

And so I think the single most important near-term agenda is competition from alternative providers which, I think, would pressure the education schools to become more appropriate.

DR. FEDER: Another question? Yes, sir.

MR. KAHLENBERG: Hi. My name is Richard Kahlenberg. I'm with the Century Foundation. And for the last couple years I've been writing a biography of Al Shanker. And he talked a lot about incentives in education, including incentives for students — which we haven't really discussed yet. He used to say that when he was a teacher he'd give a quiz, and all the hands would go up, you know: "Does it count?"

And we haven't discussed whether the incentives will apply to students yet, and I think we need to talk about that a little bit.

In No Child Left Behind, there ultimately are provisions which say that if a school fails continually, the school is held accountable; the principal and, ultimately, the teachers. But it's left up to the states as to whether students will face any consequences.

And Shanker talked about that as a misalignment of incentives that, you know, you were telling a student: "If you fail the test, your teacher is going to get punished." And that's not one that he thought made sense.

So I'm wondering if the panel could talk a little bit about student incentives — beyond the incentives that are obviously there for students wanting to go to selective colleges. There's this whole group that don't have that incentive.

DR. HAYCOCK: Sure, I'll take that.

There are huge incentives for students. Students who master high level skills in this country have lots of opportunities post high school. Those who don't have almost no opportunities.

The question is not whether there are incentives. The question is whether we tell students about that — right?

In about half of the states there's been a decision that we will; in other words, we will either deny a diploma, deny grade level promotion, so on and so on and so on. And in the vast majority of the urban school systems there have been similar decisions to make it clear, in other words, that if you don't learn what you need to learn you're not going to move on.

But my sense is the motivation issue is a little bit more than just about withholding a diploma, or withholding promotion. And one of the things we're trying to learn: when we spend time in schools serving poor kids that get really fabulous results, the kids make extraordinary effort. And one of the things we're trying to understand is: how does that happen? I mean, it's very interesting. They act so different from what you see in other schools that when teachers visit these schools they say, "Ugh, those aren't my kids. You know, they might look Black, or look Latino, but they're not like my Latinos."

What the teachers in these schools say is: "Yes, they are your kids. You just don't recognize them here." And in schools that really work for kids, there's an expectation of effort. And that's clear from everybody. What kids will say is: "You know, at my old school, it was functional for me to act stupid. But at this school, nobody let's me act stupid — not the principal, not my teachers, not the students."

And so the real question is: how does that happen? We know at least a part of it. A part of it: the adults work so hard that the kids can't not. I mean, you'll say to the kids, "Why are you here at seven o'clock at night?" Or

on Saturday morning, "Why are you here?" And they'll say things like: "You know, Mrs. So-and-so just had a baby three months ago, and if she can be here, I can be here."

So they sense — it's a bit of what you see at KIPP, right? The adults work so hard that the kids can't not. So that's at least one of the lessons.

I'm not sure we fully understand all the rest of them. But I'm at least among those who say: yes, it's somebody's external sort of signals of "you don't get a diploma," you don't whatever. Those can help. But that's not the whole thing.

We've got to figure out how to be more honest with kids. You know, I sat and watched a high school principal in a very poor neighborhood in the State of Washington say to kids the first day of school: "You know, 50 percent of you are reading at the fifth grade or fourth grade level." And the kids said, "Naww. No we're not." And he said, "Yes, you are." "This is where you are. This is where I'm going to get you."

But we're not honest with kids. In only rare occasions are we honest enough to get them to work hard. We simply take those kids that have fourth or fifth grade skills in ninth grade and give them a B, and pass them along.

So it's about getting all these signals right. And we've got to figure out more. It's again not just external sanctions. It's got to be more.

MR. KAHLENBERG: How much is the parent — how much is the family environment itself — also providing support, or lack of support, for these activities.

It seems to me that's kind of a neglected feature. We think of the schools as providing, but the parents are with the kid, you know, 16, 18 hours a day; the parents and the neighborhood.

DR. HAYCOCK: Actually, in these schools, they're spending more time at school than they are with their parents.

MR. KAHLENBERG: But, I mean, the parents are actively participating; they're supporting. Bringing them in is a big part of actually supporting, I think, motivated kids in these school systems, is it not?

DR. SUMMERS: I think it's a very big problem, and I think you raise a hugely important question. And I'd say two things about it.

One is just a question of positive incentives. And I worry a little bit that with the very proper egalitarian emphasis we now have on No Child Left Behind, we have less focus on every child can get as far ahead as their potential will take them. Because that's not what schools and school districts are being graded on.

Some of that education-school philosophy that I referred to earlier is leading to, you know — there weren't very many senior government officials with children in the public schools after one of the public schools in the Washington area decided that honors English henceforth would have three times as many people in it, and one-third as many books assigned, in order that everybody could feel honored. There were fewer such children in the schools.

There have been some interesting, very fragmentary experiments — including some that have been piloted in New York — with directly rewarding kids for achievement. Kids form in groups, kids who do well, or who improve — that groups of kids gets invited to a pizza party after school. You read a book over the summer, you answer four questions, generated by a computer bank, successfully about it, you get two dollars.

And so I think this question of micro-positive incentives for students is one that may or may not be a good idea, but is definitely worth more research.

DR. HECKMAN: Yes, but see, I think this reflects — I mean, I actually would not — I mean, that might be a good idea. I'm not saying it's wrong. But it seems to me that one of the aspects of the public schools is certainly neglected by No Child Left Behind. It's been referred to earlier — it's building motivation and character.

I mean, if you essentially instill the values — I don't know if you pay a kid to get an A, that's going to really have the same effect as essentially trying to instill in the child the kind of values, the work ethic and so forth. And so I'm a little bit worried that the incentives would, A, be misdirected. Because you really do want to talk about other aspects than just passing the test. So that's one aspect.

But, secondly, I'm not entirely convinced how effective those incentives would be, compared to trying other approaches, which would be — I say working with parents, working in neighborhoods, trying to foster maybe a different approach, different expectations of themselves and the like.

I think these are complementary approaches. They're not necessarily at odds with each other.

DR. FEDER: It's almost time for us to close, and I'm reluctant to have us close without asking you all to make some more explicit suggestions with respect to reauthorization of No Child Left Behind.

Can I hear something about that?

DR. KLEIN: Sure. I'd say — consistent with everything else I've said — two things. I think they have to move away from a proficiency model to a growth model, so that we actually hold people accountable for what the school does for the kid, not what the kid brings to the school.

The second thing is: they've got to put a lot of Federal dollars against problems that are significant. They can't just talk about getting a high quality teacher. They've got to put large Federal dollars into incenting that.

So, for me, I would have the Federal government say: you know, if the school district certifies a cadre of lead teachers pursuant to certain criteria — actually, Chuck Schumer outlined this in his recent book — then the Federal government would pay x-thousands of dollars; or for any high-poverty school, to send a science teacher. So they will use dollars to incent the kinds of behaviors.

In the end — Kati said it at the beginning — but in the end, the magic ingredient in the work we do is the quality of the teacher. And that magic ingredient is so misdistributed.

So when Larry talks about giving every kid an equal opportunity, if you were to leave the kids in a high-performing school there,

and just flip the adults between the high-needs and a high-performing school — leave the exact same kids — the effects of that would be dramatic.

So we've got to figure out, and the Federal government would play a role, how to incent talent to go where the challenges are.

DR. FEDER: I'm going to leave it at that.

I want to thank our panel. I think that — wait, before you clap — I think that it is not a shortage of ideas or energy that we've got, whether it's The Hamilton Project proposals, or the leaders in the field, we've just got to get out there and make sure that we're putting our money where our mouths are, and where our research is, and that we continue to attract even more talented people to the field.

Thanks.

(Applause)

MR. FURMAN: Thank you, Judy. Thank you for this great discussion, and to our authors for their proposals.

I just wanted to let you all know that The Hamilton Project's doing significant work on Health Care, and we're going to be having an event on April 10th at Brookings which covers the issues of effectiveness and affordability. And then in July, something on universal insurance and coverage.

And education, by the way, is also a very important factor in how healthy people are, and how long they live. So these are all thematically tied. And we'll also be discussing taxes in June. So stay tuned for all of that, and thanks for coming and joining us this morning.

(Applause)

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