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**Abstract: Separation of School and State**

Conventional political wisdom is that the quality of public schools can be improved by increasing their funding. This paper concurs with other studies that show no correlation between spending and outcome. Unique to this paper is both its cross-sectional and time-series analyses of funding and outcome. Like other studies, this paper also finds that there are other, non-financial factors that influence educational outcomes. Most of these factors are probably beyond the purview of government policy. In fact, if these factors can be influenced at all then individuals, families, churches, and other voluntary organizations are probably the institutions most capable of fostering positive changes.

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In the not too distant future, Congress will enact legislation creating a system of government-owned grocery stores. Impetus for this legislation will be the concern many have over the inadequate amounts of food some Americans eat as well as the inappropriate nutrition of others. Once passed, Americans can frequent their district tax-financed store and receive their allotted groceries for free. Of course, many will choose to continue to go to their private grocery stores but, nevertheless, will have to pay taxes to support their district government grocery. Consequently, most, when confronted with this option, will opt for their “free” groceries at their district store.

At first, many Americans will like this system, especially when the rich are taxed more. But the response of a grocery store manager when a consumer complains about too much gristle in the meat will be predictable: “If you want a better quality of meat then we are going to need more tax money!” The outcome of this organizational structure is certain. When the government grocery store managers receive their funding coercively from taxpayers rather than willingly from consumers then they are going to be more concerned about meeting government regulations and mandates and less concerned about pleasing consumers. The inherent inefficiencies of such a food delivery system will be understood by most. In addition, freedom of choice will be greatly diminished. The government will dictate that one family is eating too much carbohydrates and another not enough. One family is drinking too much milk, another not enough. Why if People for the Ethical Treatment of Animals gain control of the grocery bureaucracy then none of us will be eating meat. However, concern, in the future, over people’s nutritional needs will outweigh the efficiency and freedom arguments. Ironically, once the food

delivery system becomes politicized it is unlikely that nutrition will increase. Such is the nature of human beings that if passage of this type of legislation were to occur within the next 20 years then calls for its elimination in 100 years will be met with opposition declaring mass starvation if it were to happen.

This scenario may appear ludicrous to most of us; though with each passing year it becomes more likely. But this scenario has occurred in another market: the market for education. Public schools were created to ensure that all received an adequate level of education. A system of private schools could not be trusted. In addition, the current calls for the elimination of government funding and control of schools is met with cries that mass ignorance will result. But the organizational inefficiencies outlined above for food are precisely the cause of the problems in today's public schools. More and more, parents are becoming unhappy with the quality of their local school but are financially unable to provide their children with an alternative. And what has been the response of the managers of these public schools? Invariably, it is that greater funding is necessary. And Americans have been generous in their funding. From 1970 to 1996, per student spending (adjusted for inflation) in America's public schools increased by 78% to \$6742 while per student spending in private schools in 1996 stood at \$4453.<sup>1</sup> Over the same period, average SAT and ACT scores declined by 5%.<sup>2</sup> Yet, the educational bureaucracy continues to demand more funds. What private grocery store could demand higher prices when consumers complain about gristle in the meat? Managers of these stores know that consumers will take their dollars elsewhere. The educational bureaucracy knows that most of their consumers cannot go elsewhere when they become disenchanted with the quality. In addition, the greater uniformity that is being mandated by the federal

government has stifled innovation. And the few that have been implemented have invariably been detrimental, such as the sight-see reading method. Yet without vigorous competition and with bureaucratic experts who do not want to admit failure, these innovations have remained in place far too long. In a free market for education, beneficial innovations will be emulated while harmful ones will quickly be discarded. There must be this same discipline of the market for education as there is for food.

In addition to the inefficiencies of public schools, the escalating federal control on education imposes a grave threat to liberty. Despite the 1961 Supreme Court ruling in *Torcaso v. Watkins*<sup>3</sup> that secular humanism is a religion, it is this religious view that is being taught in the public schools. Many school districts eschew the teaching of character education (the latest catch phrase) because they believe it runs counter to separation of church and state. Many courts have concurred. In 1993, Louisiana District Judge Frank H. Thaxton, III, issued an injunction to ban *Sex Respect* and *Facing Reality*, two abstinence-based sex education programs, from the Caddo Parish public schools on the grounds that “by teaching abstinence we are teaching a religion.”<sup>4</sup> Evidently, teaching abstinence is a religiously based value and to advocate it is a violation of the separation of church and state. Interestingly, Planned Parenthood, which brought the lawsuit and is partially funded by taxpayers, hailed the ruling as a victory over religious intolerance.<sup>5</sup> Is it any wonder that a school system that cannot teach against the Seventh Commandment on adultery continues to have increased violation on the Sixth Commandment as witnessed by the increasing number of public school shootings?

## EMPIRICAL EXAMINATION

Prevailing conventional thought, at least among education experts, is that greater funding is needed in order to increase public school quality. However, many studies, from the fields of economics, sociology, and political science, have found no such correlation. Microeconomic theory suggests that production functions can be estimated to determine the least-cost employment of, say, capital and labor. The difficulty with education, as well as many other real-world examples, is that inputs are not homogeneous. Furthermore, the motivation of cost-minimization of microeconomic theory is profit maximization, which is absent from public schools. Therefore, most of the empirical studies have incorporated single equation regression estimation techniques, though a few have used simultaneous equation estimation. Beginning with *Equality of Educational Opportunity* (commonly known as the Coleman Report)<sup>6</sup> in 1966 to the present, most studies have found no correlation between spending per student, teacher salaries, teacher experience, dollars per classroom, or students per teacher (all which require more tax money) and educational outcomes. The Coleman Report found that family background and the characteristics of other students in the school seemed more important. A 1998 study by the Buckeye Institute likewise found that increased money had no effect on outcome.<sup>7</sup> The study did isolate one factor which seemed to improve educational outcome and that was student attendance. The limited analyses done in this paper also finds no correlation between spending and outcome. Like most studies, estimation was done using a single regression equation of the following linear form.

Equation 1                      STUDENT OUTCOME =  $\alpha$  +  $\beta$  (SPENDING VARIABLE)

Using 1998 data disaggregated by the 50 states and the District of Columbia, no correlation was found between three spending variables and two outcome variables. The three spending variables were spending per student (SPS), average teacher salary (ATS), and students per teacher (SPT). The two dependent outcome variables were high school graduation rate (HSGR) and ACT score.<sup>8</sup> Table 1 presents the estimated  $\beta$  coefficients along with their corresponding p-value in parenthesis.<sup>9</sup>

TABLE 1

	<u>HSGR</u>	<u>ACT</u>
SPS	.00000675 (.5115)	.00006460 (.5104)
ATS	-.00000037 (.8560)	.00001730 (.3746)
SPT	-.00953100 (.1328)	.07300300 (.2296)

Interestingly, two of the coefficient estimates are negative implying increased funding reduces outcome. However, at a 90% level of confidence (which means the p-value has to be 0.10 or less) all of the coefficients are statistically insignificant.

Some critics of cross-sectional studies have cited, perhaps rightfully so, that you cannot compare the state of New York (and its spending and outcome) with the state of South Dakota. These critics charge that there are too many other variables at play and to compare New York's higher spending and lower outcome to South Dakota's lower spending and higher outcome is inappropriate. What needs to be compared is New York spending and outcome with higher New York spending and outcome. Therefore, to move beyond this objection, Table 2 presents the results of time series analysis. Data on spending per student (adjusted for inflation) and SAT scores<sup>10</sup> for the years 1972, 1973,

1975, 1977, 1979, 1983, 1986, 1988, 1990, 1991, 1993, and 1995 for each of the 50 states and D.C. was used in the following linear regression equation.

Equation 2 
$$SAT_t = \alpha + \beta (SPS_t)$$

TABLE 2

State	$\beta$ Coeff.	p-value	State	$\beta$ Coeff.	p-value	State	$\beta$ Coeff.	p-value
AL	.085142	.0280	KY	-.020703	.1531	ND	-.015900	.2262
AK	-.014658	.4970	LA	.021379	.4926	OH	-.019684	.0902
AZ	-.023899	.6847	ME	-.021379	.0208	OK	-.031641	.0952
AR	-.032854	.1188	MD	-.027754	.1212	OR	-.016342	.2656
CA	-.071292	.1162	MA	-.026012	.0669	PA	-.039404	.0337
CO	-.043320	.0785	MI	.008446	.4037	RI	-.028083	.0429
CT	-.017454	.0478	MN	-.040852	.0626	SC	.003869	.8613
DE	-.051102	.0451	MS	.071912	.1716	SD	-.056237	.1214
DC	.011060	.2679	MO	.004665	.6888	TN	-.002667	.8676
FL	-.041604	.0401	MT	-.068091	.0703	TX	-.064757	.0024
GA	-.015191	.4660	NE	.023014	.3376	UT	.002125	.9349
HI	-.074192	.0113	NV	-.077784	.0713	VT	-.025620	.0648
ID	-.088295	.0507	NH	-.025522	.0944	VA	-.032909	.1941
IL	.007732	.5316	NJ	-.011839	.1485	WA	-.053996	.0863
IN	-.041814	.0313	NM	-.028234	.4204	WV	-.047060	.0057
IA	-.026971	.2805	NY	-.040872	.0119	WI	-.017961	.0493
KS	-.027282	.0577	NC	-.013629	.4606	WY	-.038659	.1100

Table 3 summarizes this data and reveals that only one state had a statistically significant (at a 90% level of confidence) positive correlation between SPS and SAT. On the other hand, 24 states had a statistically significant negative correlation. Interestingly, if the level of confidence should be lowered to 85% then 6 additional states are added to the statistically significant negative column while none are added to the positive column.

TABLE 3

	Positive (No. of States)	Negative (No. of States)
Statistically Significant (at 90% confidence level)	1	24
Statistically Insignificant	9	17

Many studies have attempted to incorporate other variables to determine if they have any influence on educational outcome. As already noted, the Buckeye Institute study found a positive, and significant, relationship between student attendance and student performance. This study examines several other social factors to determine their impact on educational outcome. Again, 1998 data on high school graduation rates and ACT scores were used in addition to data on crime rates (CR), divorce rates (DR), and the percentage of the population receiving Temporary Assistance for Needy Families (TANF). Also included is 1980 data for births to unwed mothers (BUWM) and births to teenage mothers (BTAM).<sup>11</sup> Again, all of these data are disaggregated by the 50 states

TABLE 4

	<u>HSGR</u>	<u>ACT</u>
CR	-.00004390 (.0001)	-.00016100 (.0973)
DR	-.01709000 (.0879)	-.04043000 (.6766)
TANF	-1.55320600 (.0300)	-12.00229000 (.0814)
BUWM	-.71423400 (.0001)	-6.67672900 (.0001)
BTAM	-1.52779400 (.0001)	-18.39961000 (.0001)

and D.C. Using simple linear regression yielded the  $\beta$  coefficients and p-values presented in Table 4. All correlations reveal a negative relationship. All are statistically significant, at a 90% level of confidence, except for the relationship between divorce rates and ACT.

## POLICY IMPLICATIONS

As demonstrated here and elsewhere, increasing the funding for public schools is no guarantee that outcomes will improve. None of the standard arguments for smaller classes, increased teacher pay, or better facilities seem to matter in increasing educational outcomes. On the other hand, there are several non-spending factors that seem to have an impact on education. Other studies have found student attendance, family background, and teacher quality<sup>12</sup> to have some effect on outcome. This study also found factors such as divorce rates, crime rates, recipients of TANF, and births to unwed and teenage mothers to have a significant and negative effect on outcome. If, indeed, it is these social factors that influence educational outcome then no amount of increased funding that is not focused on these will increase student performance. The negative coefficients for DR, BUWM, and BTAM confirm other studies that show family support as crucial for success of children. Higher values, for these three variables, will certainly reduce the family's ability to support and supplement public school instruction. To improve educational outcomes, greater family involvement is essential. This can come about with a greater percentage of two-parent families. But as already noted, teaching students to adhere to the Seventh Commandment is not permitted. The negative coefficients on CR and TANF suggest that families with shorter time horizons may not value and, therefore, not support their children's public school instruction—education being a commodity

whose benefits occur years after its consumption. Ironically, the current trend toward character education does have merit. But given current circumstances, the genuine character education, rooted in Judeo-Christian values, cannot be allowed in the public schools. A watered-down, relativistic character education will have no impact on changing the social factors that is needed.

Not only are America's public schools wrought with organizational inefficiencies and contrary to the concepts of liberty, they are also incapable of delivering the type of education, including character education, needed to improve outcomes and foster a civil society. They are unable, as demonstrated by the Louisiana ruling, to instruct children that premarital intercourse is probably not a thing they should do. Students must be instructed that time is linear and is moving toward an ultimate end and that there is a God to which everyone will one day be held accountable. These are values that, in the name of tolerance and separation of church and state, cannot be promulgated in our public schools. However, the solution is not to overrun school boards and impose Judeo-Christian values on all school children. There are, after all, atheists and humanists who should not be forced to finance the education, to which they disapprove, of the children of other parents.

The only long-lasting solution to the problems of freedom, efficiency, and innovation for our schools is to turn to a system of private schools. As noted at the beginning, many will not believe this is possible. They may agree with this end but cannot see a process to get there. One potential process to achieve the end is to institute educational vouchers. Once a majority of parents have withdrawn their children from public schools then it may be more palatable to withdraw the vouchers. However, there

is one grave concern with vouchers. The passage of the Civil Rights Restoration Act in 1988 has opened the door to government control of private colleges that enroll students receiving government grants or subsidized loans. Such could also be the case with private elementary and secondary schools that accept students with vouchers. These schools may then be prevented from providing the character education that is needed on the grounds of separation of church and state. Current attempts to use federal tax dollars to aid private charities have hit this roadblock.<sup>13</sup> Charities that depend on changing the heart and character of recipients in order to achieve lasting results may be precluded from doing so if they accept government funds. Those that do accept the government's funds will become just another inefficient organization spending taxpayers' money without achieving any results. Perhaps a better alternative to educational vouchers are tax credits for parents who educate their children privately or for any individual who donates to a private educational institution for scholarship purposes.<sup>14</sup> There will always be ideologues who will argue that allowing individuals to keep more of their own income is a form of a government subsidy, but tax credits stand a greater chance of allowing private schools to maintain their independence than do vouchers.

And it is this independence from government and its bureaucracies that is vital to improving the quality of education and in fostering a free and virtuous society. Under the current system, it is the most disadvantaged who are harmed the most by the public schools. The children of privilege will always have options that will benefit them. With rare exceptions, the poor are confronted with only one option—their local public school. The fostering of private schools and the donations of scholarships to these schools will increase the options available to many poor parents. Increased choices can only benefit

the well-being of the poor and middle-class just as it has done for the rich. Just as the separation of food and state is essential to an efficient market for food so is the separation of school and state essential to an efficient, well-functioning market for education.

## ENDNOTES

1. U. S. Census Bureau, *Statistical Abstract of the United States, 1999*, (119<sup>th</sup> Edition), Washington, D.C., 1999, p. 163.
2. *Ibid.*, p. 187.
3. *Torcaso v. Watkins*, 367 U.S. 488. Supreme Court, 1961.
4. *Washington Watch*, April 5, 1993, p. 2.
5. *Ibid.*, p. 2.
6. Coleman, James *et al.*, *Equality of Educational Opportunity*, Department of Health, Education, and Welfare, Washington, D.C., 1966.
7. "Study Finds School Resources Unrelated to Student Performance," The Buckeye Institute, downloaded January 19, 2001 from [http://www.buckeyeinstitute.org/policy.1998\\_11.htm](http://www.buckeyeinstitute.org/policy.1998_11.htm)
8. For states where a much higher percentage of students took the SAT exam, the SAT was converted into its ACT equivalent. It is reasoned that if, say, only 5% of the students took the ACT then they were probably the more gifted students who wanted to widen their college application pool and would, therefore, bias the analysis. The following are the states that were converted to ACT equivalent scores: AK, AZ, CA, CT, DE, DC, FL, GA, HI, IN, ME, MD, MA, NH, NJ, NY, NC, OR, PA, RI, SC, TX, VT, VA, and WA.
9. The p-value is the highest level of significance where the null hypothesis will still be rejected. That is, if the p-value is 0.0755 then we can be 92.45% confident that the estimated coefficient is not zero.
10. Since the percentage of students taking the SAT for each state will not vary greatly from year to year there is no need to convert scores.
11. The BUWM and BTAM variables are given as percentages of total live births.
12. See Eric Hanushek, "The Economics of Schooling: Production and Efficiency in Public Schools," *Journal of Economic Literature*, 24, 3 (September 1986), 1141-1177.
13. See Dana Milbank, "Senators Slow Action on 'Faith-Based' Aid," *The Washington Post*, March 14, 2001, p. A1.

14. The State of Arizona has recently passed legislation allowing individuals to receive tax credits for donations given to private schools. See "Tax Credits for Private Tuition: Recent Arizona State Legislation," Calvert Institute for Policy Research, downloaded March 27, 2001 from [http://www.calverinstitute.org/news/Vol2-2/cn2\\_2f.html](http://www.calverinstitute.org/news/Vol2-2/cn2_2f.html).