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Time to Redefine Education Policy for the New Economy

Education policy in America has gone haywire. Policy makers are “a dollar short and a day late” in funding student needs on a regular basis. In the meantime, they have no trouble giving away tax subsidies in the name of so-called “economic development” with little or no accountability and rendering our tax systems inequitable and purposeless.

We know what it takes to enable our students to outperform any other nation in the world. But we don’t have the will to invest the resources necessary to address the obstacles that stand in our way. Instead of a comprehensive approach, our education policy focuses only on part of the puzzle. After 25 years of national commissions, goals panels, and summits, all policy makers offer us is standards, assessment, and accountability. Worse yet, the main focus of the so called “No Child Left Behind” law is high stakes testing. The nations with top-performing students don’t even have such testing and accountability requirements. Focusing only on test scores in the new knowledge-based global economy is a recipe for economic disaster.

The world is changing and so must we. To succeed in the new knowledge-based global economy, we must redefine education policy beyond standards, assessment, and accountability. We must integrate education policy with equitable tax policies that support and sustain an adequate and equitable level of funding, one that addresses the obstacles that keep us from achieving great public schools for every student. We must also place investment in public education at center stage of our economic development agenda.

Understanding the TEF Context

An equitable tax system (T) combined with a level economic development (E) playing field for business and adequate and equitable funding (F) for schools is the key to our future economic success. Furthermore, we live in a new knowledge-based global economy. In this new economy, investment in public education — our human capital — is more important than tax cuts and subsidies.

Unfortunately, current TEF policies are on different paths with no regard to their interconnection. State and local tax structures haven’t changed much in 30 years. Taxes as a percentage of personal income have remained more or less the same since 1975 — about 10%. But they *have* become increasingly inequitable. When we add up all the taxes people pay (property, excise, income, gasoline, cigarette, etc.) the poorest 20% of Americans pay about $11 for every $100 of their income. The richest 1% of Americans pay less than half that — about $5.40 for every $100 of their income. In the meantime, corporate share of state and local revenues as a percentage of profits has declined by more than 50%. An inequitable system of taxation cannot sustain public services and infrastructure such as police and fire protection, roads and highways, air traffic control, and public schools.

Also, state and local governments spend $50 billion in the name of “economic development.” Minnesota, for instance, gave a $275,000 subsidy that created only one new job paying $4.50 an hour. Florida gave a subsidy of $1 million that created exactly one new job. It’s not government’s role to pick winners over losers by giving subsidies to big businesses, like Wal-Mart, and forcing small entrepreneurs to close their doors. Good government should level the playing field. All businesses, large and small, deserve a fair chance to succeed in the new global economy.

This trend in tax and economic development policies isn’t just unfair, it undermines our ability as a nation to provide the funding necessary to address the underlying obstacles our public schools face. What are these obstacles? Teacher salaries, adjusted for inflation, are about the same now as they were in 1970. The gap between teacher salaries and the salaries of other college-educated professionals has increased from $1,800 in 1960 to $18,000 in 2000 (according to the latest U.S. Census data). Only three of our developed-world competitor nations pay teachers less than we do. About 50% of all new hires leave teaching within five years because of poor working conditions and low salaries. This is a national price tag of $5 billion a year in teacher turnover costs, according to the Alliance for Excellent Education. Nationally, school infrastructure is practically falling apart. Many buildings are unfit for teaching and learning. It will take more than $250 billion to modernize our national school infrastructure. We can’t address these obstacles only by holding schools accountable for test scores.

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It also undermines our ability to provide adequate and equitable funding that ensures equal educational and economic opportunities for a high-quality public education for all children, regardless of life circumstances. Adequacy studies conducted in many states show that no state measures up to even a rough standard of adequacy and equity. These studies show that, on average, it would take at least 25% more funding to meet even the roughest standard. Of course, this is not taking into account inequities in teacher salaries.

Redefining Education Policy for the New Economy

New evidence suggests that, dollar for dollar, investing in public education grows the economy more than tax cuts and subsidies. An analysis using regional economic models (the same models businesses use) shows that, in a typical state, investing $100 million in public education would create approximately 4,400 new jobs. The same amount given in tax cuts or economic development subsidies would create only half that. A recent Alliance for Excellent Education study shows that America's economy would grow by $309 billion if all high school students graduate.

An analysis conducted by Henry Levin of Columbia University shows that each new high school graduate would contribute an additional $137,932 in income tax revenues, would reduce health care costs by $37,388, and would reduce crime costs by $167,990 over their lifetime. Art Rolnick and his colleagues at the Federal Reserve Bank show that every $1 invested in pre-school education provides an economic return of $7. These are just some of the many economic and civic benefits we would receive as American citizens by investing in public education. These benefits suggest that, if we want to keep our economic leadership in the world, we must make a massive investment in public education regardless of student test scores. We can no longer afford to deal with T, E, or F policies in isolation from one another; the sum of the three is greater than each individual part. Neither can we afford to continue to define education policy without regard to TEF trends.

We must redefine education policy to encompass the true, overarching purpose of public education: creating a prosperous, civilized society. An integrated TEF approach is the way to do this. Without the TEF approach, we can't address the underlying obstacles our public schools face. Without the TEF approach, we can't create a bright economic future for ourselves and for our children.

A TEF Commission

Let's put America on a path to prosperity for good. Some states may have a seasonal budget surplus now, but we have built-in inequities and long-term structural deficits in our tax system. Remember our last economic downturn? Let's address the problems that undercut our tax structures now. Let's address the underlying obstacles public education faces: stagnation and inequities in teacher salaries, high teacher turnover, and poor working conditions. Let's redefine our national education policy in a broad context of a comprehensive TEF policy, with an independent TEF commission to drive it.

A TEF commission would consist of stakeholders — TEF experts, TEF policy makers, business leaders, educators, community leaders, and parents. It would chart a course and monitor progress. It would integrate TEF policies toward creating an economic tide that lifts all boats and an education policy that fulfills the promise of public education in the new economy.

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