

Profits Over Students: Education Markets in Segregated and Impoverished Contexts

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To My Family and Future Students

ABSTRACT

Charter schools are a type of market-based education reform typically implemented in low-income communities suffering from failing public schools. Charter school advocates claim that schools governed by the market, rather than the government, will improve via parental choice and competition. They advocate the creation of an educational marketplace, where private institutions can open and manage schools with minimal government regulation. Parents will have the freedom to “shop” the education marketplace for the school of their choice. School funding will follow students so that school funding relies on the number of students attracted. Schools, then, will compete for funding, leading to an overall increase in the quality of education. This system, they argue, will increase accountability, efficiency, and innovation because schools that fail to improve will no longer attract consumers and go out of business. The debate surrounding market-based education reforms like charter schools engages the larger question of whether centralized public management or markets are a better way of organizing K-12 education. There are two dimensions of this question worth exploring. The first is empirical: does the introduction of market-based reforms produce the results touted by charter school advocates? The second is normative: do market-based reforms provide adequate educational opportunities for all students, regardless of race and socioeconomic status?

In many impoverished communities, education markets have not lived up to their ideals. Many disadvantaged students do not have access to adequate educational opportunities despite the implementation of market-oriented reforms. Detroit, MI is a special case in point. Nevertheless, there is great disagreement over whether education markets should not be used in education provision and governance. Proponents of market-based education reforms point to the failure of democratic governance in its responsibility to provide quality schools to low-income, urban communities. On the other hand, opponents often point to the importance of voice and collective governance of schools. As a result, much of the debate in the philosophical literature is centered on the juxtaposition of markets and democracy and their respective merits and vices.

I argue that the framing of this discussion is not constructive and loses sight of an important question: which institutions will successfully create an education system that can produce adequate and accessible educational opportunities for all? Using idealizations of markets and democracy fails to fully explain what has and might go wrong in actual education markets. Instead, we ought to look at education markets in context and study the structural features that contribute to the makeup, functioning, and results of the market. Detroit’s education market demonstrates that school choice and charter schools operating in segregated and disadvantaged contexts are no “panacea.” Instead, Detroit’s education market is characterized by frequent school openings and closings, high student mobility and teacher turnover, and overall low-performance. I argue that many of the features and outcomes of Detroit’s market systematically leave Detroit’s students behind, especially the most vulnerable, and make for a noxious and unjust education market.

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As someone who grew up in a working-class family and as a first-generation college student, it is appealing to think of education as the “great equalizer.” But this ideal, sketched in the minds of American schoolchildren starting in first or second grade, is false and hides some of the ugliest aspects of American society. Moving from Wayne County schools to Livingston County in second grade revealed slight – but significant – differences to me at a very young age. Yet, I still did not know of the conditions in which teachers struggle to educate hungry, tired, abused, traumatized, and systemically disadvantaged students. In the summer of 2012, I learned that some schools in the Bronx didn’t have textbooks or chairs, that classes were taught in classrooms with leaky ceilings and molding walls. Unfortunately, this phenomenon is not uncommon in high-poverty schools, in both urban and rural settings. To think that children can learn in this environment and that grit alone can overcome these conditions is absurd. I was lucky enough to receive a quality K-12 education that adequately prepared me to succeed in college. Education can open doors to new possibilities. Yet, basing policies on the ideal that schools or markets have the power to overcome all of society’s problems is setting up students – and the rest of us – to fail.

First and foremost, I owe a great deal to my family, who taught me the value of hard work. My mom and dad served as excellent examples of perseverance through difficult times and struggles. For their constant love and support, I owe many thanks to my great-grandparents and grandparents. My aunt and uncle had a positive impact on me and were a big part of my decision to go to college. At one point in time, college wasn’t a part of my worldview and I owe it to them for planting the idea in my head and supporting me along the way.

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LIST OF ABBREVIATIONS

AYP	Adequate Yearly Progress
CREDO	Center for Research on Educational Outcomes
DPS	Detroit Public Schools
EAA	Education Achievement Authority
EMO	Education Management Organization
FOIA	Freedom of Information Act
ISD	Intermediate School District
LEA	Local Education Agency
MDE	Michigan Department of Education
MEAP	Michigan Educational Assessment Program
NAEP	National Assessment of Educational Progress
NCLB	No Child Left Behind
NHA	National Heritage Academies
OPSB	Orleans Parish School Board
PSA	Public School Academy
RSD	Recovery School District
SRO	School Reform/Redesign Office
TPS	Traditional Public School
TTB	Top-To-Bottom School Rankings
Wayne RESA	Wayne County Regional Education Service Agency

CHAPTER I: Understanding the Role of Charter Schools and their Place in Market-Based Reforms

What are charter schools and what do they have to do with markets?

Put simply, a charter school can be defined as a public school chartered by an authorizer that is independent from the traditional, centrally-managed public school system.¹ A charter states the “conditions under which the school will operate and the goals it must accomplish to remain in operation.”² Charter schools can be understood as a type of bargain or agreement: in exchange for greater autonomy over governance, instruction and curriculum, they must accept greater accountability for results than traditional public schools.³

The market-based charter school argument contains two parts.⁴ First, charter proponents claim that schools will improve if given greater autonomy – freedom from burdensome bureaucratic rules and regulations imposed on traditional public schools – in exchange for accountability.⁵ Second, financing schools based on per-pupil funding and giving parents choice in schools will create competition between both charter schools and traditional public schools, forcing schools to improve or go out of business; this vision aims to mirror the some of the conditions under which markets operate in providing consumer goods.⁶ Importantly, however, charter schools are not merely a new *type* of school and thus will be not viewed in this way.⁷ While charter school laws vary by state, the charter school policies of interest are those that seek to imitate the way markets provide goods through system-wide change. For this reason, many scholars view charter schools as a type of “market-based” or “market-oriented” policy. These charter school policies mark a significant departure from the way schools are traditionally governed, funded, and organized.⁸ In theory and policy, this is often attempted by a combination of: parental choice, deregulation, new accountability standards, and, in some cases, profit-incentives.⁹

¹ Gary Miron and Christopher Nelson, *What’s Public About Charter Schools? Lessons Learned About Choice and Accountability* (Thousand Oaks, CA: Corwin Press, 2002): 3.

² *Ibid.*

³ *Ibid.*

Accountability is a vague and contested concept in educational theory and policy. There are two types of accountability relevant to the charter school concept; these will be explained shortly.

⁴ James M. Goenner, “The Origination of Michigan’s Charter School Policy: An Historical Analysis” (PhD diss., Michigan State University, 2011): 39, <https://etd.lib.msu.edu/islandora/object/etd%3A872/datastream/OBJ/view>.

⁵ *Ibid.*

⁶ *Ibid.*, 32-33.

⁷ James N. Goenner draws an important distinction between viewing charter schools as a new *type* of school and viewing charter schools as part of a larger set of “market-based policies.”

⁸ Miron and Nelson, *What’s Public About Charter Schools?* 19.

⁹ I borrow from the scholarship of Goenner, Miron and Nelson, Adamson, Cook-Harvey, and Darling Hammond to explain concepts fundamental to the argument in favor of charter schools and the resulting policies.

Most importantly, the argument for implementing charter schools engages the larger question of whether centralized public management or markets are a better way to organize K-12 education. Integral to this question is determining whether there are certain types of goods and services that ought to be distributed by central public management and markets. More specifically, are there certain types of goods that shouldn't be distributed by markets? Are education markets any different than markets for apples or coats? Proponents of market-based education provision argue that markets are a *better* way of providing education and rely on free market principles in justifying this position. Nevertheless, using markets or "quasi-markets" to provide education entails reorganizing provision in significant ways. Such reforms have occurred in the United States, New Zealand, Britain, and Chile, although the policies differ across regions and cities.

Market-based charter school policies require "structural" changes, which change the organization of education provision and the conditions under which schools operate.¹⁰ Traditionally, a school board oversees and manages the schools located within its district and its members are democratically elected by those residing in the district. School boards usually manage funds, make decisions regarding the schools, and ensure compliance with state and federal laws within the schools. The introduction of charter schools, by contrast, seeks to decentralize and disperse authority to individual schools. As Gary Miron describes, "restructuring emphasizes devolution of authority to local units of governance." In essence, charter schools are an attempt to shift and disperse the control and governance of schools to the lowest level – to each school.¹¹

Choice, Deregulation, Accountability, and Competition

There are five structural changes involved in creating conditions under which charter schools can successfully operate according to the charter school argument: parental choice, deregulation (school-level autonomy), a new system of accountability, increasing inter-school competition, and creating profit-incentives.¹² These five conditions mark a departure from the way in which schools are traditionally governed, controlled, and funded. Moreover, in some states the introduction of charter school laws has been accompanied by system-wide school reform, altering the entire school system.¹³ The five main structural changes are described in what follows.

¹⁰ *Ibid.*, 4.

¹¹ Charter schools are governed by school boards, although these are not the same school boards that have traditionally operated at the district-level. In Michigan, board members are not elected by residents. Instead, they are appointed by the authorizer (the body granting the charter). Gary Miron regards the *appointed* school board as one way in which charter schools typify private – rather than public – institutions.

¹² Here, I borrow from both James N. Goenner's work on the origins of Michigan's charter law and Gary Miron's evaluation of the law to identify the main system-wide changes enacted in Michigan's charter school law.

¹³ New Orleans, LA and Detroit, MI are illustrative examples. While Detroit's education market will be the focus, New Orleans will be used as a comparison. New Orleans is a 100% charter system with some interesting similarities and differences; see Chapter V.

Choice

Parents should be given choice in the school their student attends. The school students attend should not be determined or bound by their residential district. Traditionally, students have been assigned to specific schools based on their residence by a school district. Instead, school choice allows students to attend any school, regardless of location. Of course, there are limitations on choice, depending on the law. Giving parents choice means that schools will no longer have a set student population defined by district boundaries and must compete for students.

Deregulation

Greater deregulation of schools will give schools greater autonomy from bureaucratic rules and regulations, usually those imposed by a central school district.¹⁴ The use of bureaucracy is often underspecified and many times charter advocates point school administration as the root of the evil without specific evidence of the rules and regulations that are burdensome.¹⁵ Nevertheless, this autonomy, it is argued, will allow teachers and school-level administrators have greater authority and flexibility in developing the school, curriculum and methods. In theory, the model empowers teachers and principals to use their professional expertise to better educate and meet the unique needs of their students; as such, “it envisions a situation in which school personnel design the school and its curriculum.”¹⁶ Deregulation will also allow for the independent management of schools instead management by a single school board that oversees multiple schools. In other words, the governance of the schools is located at the lowest level – at each school – instead of at the district-level. The call for greater deregulation operates under the assumption that government-managed schools are grossly inefficient and ineffective due to burdensome and inhibitive rules.¹⁷

New Accountability Standards

Charter schools will be held to new standards of accountability. While controversies remain over the different types of accountability best for schools, the charter school model leverages two types. At minimum, charter schools are supposed to be held to the goals and standards set forth in their charter (i.e., contract) issued by their authorizer.¹⁸ Since charter schools are given greater autonomy, it is expected that they adhere to the goals stated in their charter; otherwise, the authorizer has the power to revoke the charter.¹⁹ The market-based theory of charters holds that *parents* will hold schools accountable in having the choice to leave a school if they are dissatisfied.²⁰ Parental choice will be strengthened by per-pupil funding; the funding of all schools will depend on the number of students enrolled. Thus, if a school fails to satisfy parents or produce satisfactory outcomes, consumers (i.e., parents) can “vote with their

¹⁴ Goenner, “The Origination of Michigan’s Charter School Policy,” 41.

¹⁵ In Chapter II, Chubb and Moe’s qualms against “bureaucracy” are explained in more detail.

¹⁶ Miron and Nelson, *What’s Public About Charter Schools?* 29.

¹⁷ Goenner, “The Origination of Michigan’s Charter School Policy: An Historical Analysis.”

¹⁸ *Ibid.*, 40.

¹⁹ *Ibid.*

²⁰ *Ibid.*

feet” and deprive the school of their student’s funds.²¹ This too, it is argued, will make schools more responsive to the demands of parents, otherwise they might lose funding.²²

Competition

Proponents claim that charter schools are a way of introducing competition between schools – both traditional public schools and charter schools – and creating a competitive education marketplace.²³ Key to creating competition between schools is allowing funding to follow students or, in other words, make school funding dependent on the number of students enrolled (i.e., “per-pupil funding”). With enrollment and funding no longer guaranteed, schools will be forced to improve; those that fail to attract and retain students will go out of business, while those successful in student retention will remain in business.²⁴

Profit-Incentives

While profit incentives are not a *necessary* condition for implementing charter schools as a market-based policy, some have argued that introducing profit incentives in the education market will lead to better outcomes.²⁵ It is argued that a profit incentive will force schools to run more efficiently since they will be incentivized to produce better results with fewer resources.²⁶ Some even go as far to argue that the creation of an “industry” of for-profit educational management organizations would provide students “equal or better educational opportunities at a lower price” while allowing these organizations to “still make a profit.”²⁷

Outcomes

By employing these five structural changes – parental choice, deregulation, a new system of accountability, inter-school competition, and profit incentives – proponents argue that charter schools will:

- I. Become centers of innovation for effective teaching practices.
- II. Increase student outcomes (performance as measured by standardized tests, parental satisfaction)
- III. Use funds more efficiently and encourage other schools – including traditional public schools – to use funds efficiently or else suffer in the competitive education marketplace.²⁸

These different outcomes – increased innovation, performance, and efficiency – each deserve greater explanation and will be discussed and critiqued in greater detail when examining Detroit’s education market in Chapter V.

²¹ Miron and Nelson, *What’s Public About Charter Schools?* 11.

²² *Ibid.*, 44-45.

²³ Goenner, “The Origination of Michigan’s Charter School Policy,” 43.

²⁴ *Ibid.*

²⁵ *Ibid.*, 41.

²⁶ *Ibid.*

²⁷ *Ibid.*, 121.

²⁸ *Ibid.*, 44.

Non-market-based charter schools

History reveals that the original vision of what we call “charter schools” was not connected to markets in any way. The idea of charter schools first appeared when Ray Budde published *Education By Charter: Restructuring School Districts* in 1988.²⁹ His work was given publicity when Albert Shanker, president of the American Federation of Teachers (AFT), presented his idea of charter schools as autonomous, teacher-led schools.³⁰ However, his idea for charter schools did not involve the type of market-based school provision prevalent today.³¹

Originally, Budde proposed: “teams of teachers could be ‘chartered’ directly by a school board for a period of three to five years. No one – not the superintendent or the principal or any central office supervisors – would stand between the school board and the teachers.” Budde’s proposal involved chartering programs and departments, rather than entire schools.³² And while Budde’s proposal involved restructuring, Budde argued for allowing teachers to receive charters directly from the school board to implement “site-based management.”³³ Site-based management aims to “transform schools into communities where the appropriate people participate constructively in major decisions that affect them.”³⁴ Budde’s charter program sought to give teachers more authority in their schools and classrooms. Notice that Budde’s proposal does not require the same restructuring as market-based charter schools. However, through policy, charter schools became associated with markets and, in some cases, worked alongside system-wide reforms to create a school system designed to resemble markets.

A Brief Overview of Theories and Policies

In both theory and policy, the argument for charter schools predominantly rests on important aspects of some free market principles. Charter schools are not the first attempt at applying free market principles to way education is provided, governed and managed. In *Freedom and Capitalism*, originally published in 1962, Milton Friedman argued against government-administered schools and argued that the government’s involvement should be primarily limited to providing funds for schooling.^{35,36} He proposed a voucher system, whereby the role government is limited to providing the funds for schooling and schools are provided and administered by private institutions.³⁷ Parents, he claimed, would be given vouchers from the

²⁹ Ibid., 37.

³⁰ Ibid.

³¹ Ray Budde, “The Evolution of the Charter Concept,” *The Phi Delta Kappan* 78, no. 1 (1996): 72–73, <http://www.jstor.org/stable/20405708>.

³² Ibid.

³³ Ted Kolderie, “Ray Budde and the Origins of the ‘Charter Concept,’” *Education Evolving*, 2005, 2, <https://www.educationevolving.org/content/ray-budde-and-origins-of-charter-concept>.

³⁴ Jane L. David, “Site-Based Management: Making It Work,” *Educational Leadership* (Alexandria, VA, 1996), http://www.ascd.org/publications/educational_leadership/dec95/vol53/num04/The_Who,_What,_and_Why_of_Site-Based_Management.aspx.

³⁵ Milton Friedman, *Capitalism and Freedom*, 2nd ed. (Chicago: Chicago University Press, 1982): 85-86.

³⁶ Friedman’s argument for vouchers will be explained in Chapter II.

³⁷ Ibid., 77-81.

government to use on educational expenses.³⁸ In 1990, John E. Chubb and Terry M. Moe published *Politics, Markets and America's Schools* and argued for removing the authority of the state to provide schools and vesting it in an education marketplace, where schools would be run by private organizations authorized to receive public money in the form of “scholarships.”³⁹ Jeffrey Henig argues that Chubb and Moe’s “scholarship” plan is intended to serve the same function as vouchers while avoiding the negative connotations involved with vouchers.⁴⁰ Using the private school market as evidence of high-performing, efficient schools, they argued that markets could be used to improve public schooling.⁴¹ Chubb and Moe argued that three key market principles could be applied to education in creating an education marketplace: decentralization of authority, competition between schools, and parental choice.⁴² In fact, these three principles are reflected in the charter school argument and some charter school laws today.

James N. Goenner draws an important distinction between the charter schools or programs proposed by Budde and how they have appeared in policy.⁴³ The schools proposed by Budde were a new *type* of school, whereas many lawmakers and free market thinkers pushed charter schools as a way to introduce system-wide change through choice and competition.⁴⁴ While Budde’s idea emphasized the importance of teacher professionalism, autonomy, and innovation, the charter school laws in many states – especially in Michigan – are accompanied by system-wide reforms that alter the way education is provided; they aim to create a competitive environment in which schools may compete against one another and parents are given choices between various schools. Michigan’s charter school law, the case in point for this study, was crafted with the intention of creating a “competitive educational marketplace.”⁴⁵ Furthermore, charter schools have appeared in policy as an alternative to voucher programs since voucher programs have been met with political opposition in many states.⁴⁶

Many business leaders and free market advocates involved in charter school reforms argue that public education could be improved by competition. In traditional markets, the quality of products and services is improved by competitive forces, and so they argue the same logic can be applied to improve public education.⁴⁷ However, it’s not exactly clear what an education “market” is or what it looks like.

Friedman advocated for a minimum guaranteed income via a negative income tax to ensure the poor can participate in the market; the poor cannot participate in the market without income to spend.

³⁸ *Ibid.*

³⁹ Chubb and Moe, *Politics, Markets, and America's Schools*, 222

⁴⁰ Jeffrey R. Henig, *Rethinking School Choice: The Limits of the Market Metaphor*, 1st ed. (Princeton, NJ: Princeton University Press, 1994): 89.

⁴¹ Chubb and Moe, *Politics, Markets, and America's Schools*, 27.

⁴² *Ibid.*, 67.

⁴³ Goenner, “The Origination of Michigan’s Charter School Policy,” 32.

⁴⁴ *Ibid.*, 32.

⁴⁵ *Ibid.*, 80.

⁴⁶ *Ibid.*, 31.

⁴⁷ *Ibid.*, 74.

What is an education market?

Markets: A Tool for Allocating Resources

First and foremost, it is important to understand markets and how they might be used to provide education. According to Debra Satz, markets “are institutions in which exchanges take place between parties who voluntarily undertake them.”⁴⁸ Satz rejects notions of markets limited to “action of buying and selling” or a “series of individual transactions” because they fail to capture the background property rules in place and social, cultural and legal institutions on which markets depend.⁴⁹ In other words, the structure of markets is shaped by and depends on other elements such as: property rights, rules for making contracts, the enforcement of contracts, the flow of information, and the restriction on monopolies.⁵⁰ Markets are helpful tools for producing and distributing goods and resources, and they coordinate the behavior of individuals via price signals, which makes for the efficient allocation of resources (ideally, at least).

Education Markets: Decentralizing the Allocation of Resources

The market-based model previously described leverages five structural changes: parental choice, deregulation, a new system of accountability, inter-school competition, and profit incentives. These changes aim to convert centrally managed school systems into a decentralized network of schools chartered to receive public money from the state. In a city-wide market there is a finite number of students, each carrying per-pupil funds with them to their school of choice. So, schools must compete for limited resources (i.e., students). If schools fail to attract enough students, they face closure due to the loss of revenue. On the supply-side of the education market, proponents argue for deregulating the provision and leaving it up to actors other than the state, such as teachers, business leaders, principals, etc., to start schools by receiving a charter from the state or an authorizer. As for demand, proponents advocate allowing multiple suppliers to supply schools, rather than relying on the state as the only supplier.⁵¹ Families, then, can choose among multiple options based on their preferences. As mentioned, market-based charter school policies seek to imitate the way markets provide goods, although they are often referred to as “quasi-markets” since the government still provides the funds for these public services and imposes greater regulation on provision; this, however, is no reason to disregard substantial system-wide changes brought about by market-based policies.⁵²

In essence, the education market is another way of allocating limited resources among multiple actors. Proponents of market-based charter school policies tend to think that the uncoordinated actions of multiple schools systems and parents can achieve better results than the

⁴⁸ Debra Satz, *Why Some Things Should Not Be For Sale: The Moral Limits of Markets* (New York: Oxford University Press, 2010): 15.

⁴⁹ *Ibid.*, 15-16.

⁵⁰ *Ibid.*

⁵¹ Helen F. Ladd, “Market-Based Reforms in Urban Education” (Washington, D.C., 2002): 3, <https://eric.ed.gov/?id=ED464965>.

⁵² Geoff Whitty, “Creating Quasi-Markets in Education: A Review of Recent Research on Parental Choice and School Autonomy in Three Countries,” *Review of Research in Education* 22, no. 1997 (1997): 4, <http://www.jstor.org/stable/1167373>.

coordinated actions of a centrally-managed school system.⁵³ Market advocates claim that the market can bring about a quality education for all. Chubb and Moe have great faith in the ability of markets to do so: “[c]hoice is a self-contained reform with its own rationale and justification. It has the capacity *all by itself* to bring about the kind of transformation that, for years, reformers have been seeking to engineer in myriad other others . . . It is a revolutionary reform that introduces a new system of public education.”⁵⁴

Preliminary Critiques and the (unstated) assumptions behind market-based models

The Advantages of the Free Market and the Empirical Assumptions Behind Them

Forcing schools to compete against each other is a central tenet of market-based models. Proponents argue that schools *need* competition to improve their performance and efficiency, although what is meant by efficiency in education is often underspecified.⁵⁵ In doing so, proponents point to the ideal theory of the free market “when extolling the possibilities and benefits of market forces in education.”⁵⁶ Yet, even the free market – which is an *ideal* theory – involves many assumptions and preconditions to successfully function as theorized. In arguing that school systems need to be competitive like markets for other commodities, proponents often leave out the assumptions behind the free market theory and how they might be modified when applied to education.

In traditional markets, prices reflect supply and demand. The education markets of concern, however, do not have a price mechanism – for good reason, as many low-income families would not be able to afford certain schools if prices were involved – which may ultimately affect how the supply of schools and the demand (i.e., number of students) relate.⁵⁷ That is, the absence of a price mechanism might affect the way in which educate markets allocate finite funding.

First, proponents argue that introducing competition between schools for students and revenue will increase performance and the efficiency with which the service is provided.⁵⁸ Assumptions behind perfect competition are often unmentioned. There are four assumptions behind perfect competition in markets:

⁵³ *Ibid.*, 33.

⁵⁴ Chubb and Moe, *Politics, Markets, and America's Schools*, 215-217.

⁵⁵ For a discussion of market efficiency see Chapter II. See Chapters IV and V for a discussion of the ways in which Detroit's education market is efficient as reflected in policy and outcomes.

⁵⁶ Steven J. Ball, “Education Markets, Choice and Social Class: The Market as a Class Strategy in the UK and the USA,” *British Journal of Sociology of Education* 14, no. 1 (1993): 3-4, <http://www.jstor.org/stable/1392976>.

⁵⁷ Chubb and Moe and Friedman argued for a price mechanism in school provision and giving scholarships or vouchers to help pay for such services. Charter school policies in the U.S. have not included this aspect of these market-based theories.

⁵⁸ Ladd, “Market-Based Reforms in Urban Education,” 4.

- I. There is a large number of buyers and sellers, who act independently of one another.
- II. There is no information asymmetry. Buyers and sellers are aware of the prices at which others buy and sell a given product.
- III. There are no transaction costs. Buyers can easily switch to sellers with lower prices without any costs.
- IV. There are no significant barriers to entry or exit. A supplier can easily create or leave a business.⁵⁹

Assumption I: There is a large number of buyers and sellers

Creating competition in education may not be workable in rural areas with a dispersed population, simply because there are not enough consumers (i.e., parents); with a limited number of students (and limited per-pupil funding), only a very small number of schools could adequately educate students.⁶⁰ It is unclear how education markets could be viable in places where there are small numbers of students to educate and receive their per-pupil funding. Plus, the limited funding available might not encourage schools to open in rural areas, although this might be mitigated by providing transportation to urban areas.

Assumption II: There is no information asymmetry

Eliminating (or at least reducing) information asymmetry between parents and schools might not be possible without some reliable external body to assess the schools. Further, it requires that parents are informed, have the skills and cultural capital necessary to navigate the market, and have accurate information about the quality of schools in the marketplace.⁶¹ Beyond skills and desires, it also assumes that working class parents have time to engage in information gathering. Disagreements surrounding quality and outcomes further complicate the matter. Some proponents have argued for establishing some type of information center where parents can see a school-by-school report to make the most informed decision.⁶² In policy, these information centers have not always been established in conjunction with charter school policies or supported by charter school proponents. Yet, even a report can only include measured characteristics and cannot fully capture many unmeasured dimensions of school quality, especially regarding school climate and the quality of curriculum and instruction.

Assumption III: There are no transaction costs

Perfect competition assumes that there are no transaction costs for the consumer when switching sellers. First and foremost, parents must have effective exit options; that is, they must be able to safely and reliably transport their child to another school. If there are no effective exit options for parents, switching between schools may not be an option. And, moving residences to be closer to a school might be incredibly costly and, thus, violate this assumption – ironically,

⁵⁹ These assumptions behind perfect competition in markets are borrowed from “Assumptions of Perfect Competition,” *Wikispaces Classroom*, accessed February 14, 2017, <https://econ100-powers-sectiona.wikispaces.com/Assumptions+of+Perfect+Competition>.

⁶⁰ Henig, *Rethinking School Choice: The Limits of the Market Metaphor*, 205.

⁶¹ Ball, “Education Markets, Choice and Social Class,” 13.

⁶² Chubb and Moe, *Politics, Markets, and America’s Schools*, 222-224

school choice is advocated as a solution to this very problem. Nevertheless, research indicates that mobility is on average harmful to students.⁶³ Multiple studies from the National Longitudinal Study (NELS) demonstrate that students struggle to adjust to new schools psychologically, socially, and academically.⁶⁴ Mobile students – those who move schools – demonstrate lower performance on state achievement tests, are less likely to be involved in extracurricular activities.⁶⁵ For high-schoolers, mobility can have devastating effects: “students who changed high schools even once are less than half as likely as stable students to graduate from high school, even controlling for other factors that influence high school completion.”⁶⁶

Market proponents might argue that these negative consequences could be overcome by moving to a better school. Research done conducted by Eric Hanushek, John F. Kain, and Steven G. Rivkin on Tiebout type moves to secure a better school concluded that student turnover imposes a negative externality on both mobile and stable students.⁶⁷ High student turnover can negatively influence “orderly teaching and curriculum development.”⁶⁸ Further, they found that these negative consequences are greater for low-income and minority students, who experience higher average mobility rates and typically attend schools with high turnover.⁶⁹ So, even when students move to a higher quality school, there may be negative consequences for other students. The transaction costs of switching schools are often unaccounted for in market-based education models, even though the model *encourages* and *relies* on student mobility to create competition and a marketplace of effective schools. Yet, the market model assumes that students will always move to higher-quality schools, which may not be the case.

In addition, perfect competition assumes that the practice of closing schools improves the market overall and outweighs the negative outcomes involved with closing a school. The market (i.e., dispersed education providers) must ensure that closed schools are replaced with accessible, quality options. If a student relies on a nearby school that suddenly closes, perfect competition assumes that the transaction costs involved with moving schools is zero, or minimal. Yet, if no schools open near her home and her only option is an hour-long bus ride across the city, the transaction costs are incredibly high. Furthermore, when a school closes, student mobility increases as all the students must find another option. In addition, what cannot be measured is the value that a community school may have to its neighborhood. In poor communities, neighborhood schools often provide many services beyond school hours, including but not limited to: playgrounds, after school child care, breakfast and lunch, crossing guards, public health services (i.e., school nurses), voting stations, public meeting spaces, auditoriums, teen after-school programs, athletic coaches, and mentors. When a school closes, neighborhoods and

⁶³ Eric A. Hanushek, John F. Kain, and Steven G. Rivkin, “Disruption versus Tiebout Improvement: The Costs and Benefits of Switching Schools,” *Journal of Public Economics* 88, no. 9–10 (2004): 1722, doi:10.1016/S0047-2727(03)00063-X.

⁶⁴ Liyang Mao and Bettie Landauer-Menchik, “Michigan’s Charter School Authorizer Report,” (2014): 2, https://www.michigan.gov/documents/mde/Student_Mobility_in_PSAs_January_21_2014_445767_7.pdf

⁶⁵ *Ibid.*

⁶⁶ *Ibid.*

⁶⁷ Hanushek, Kain, and Rivkin, “Disruption versus Tiebout Improvement,” 1721.

⁶⁸ *Ibid.*, 1722.

⁶⁹ *Ibid.*, 1744.

communities may lose many of these services, and for impoverished communities, these services are not easily replaced.

Assumption V: There are no significant barriers to entry or exit

This assumption relates to “how easily a producer or supplier can create a business (enter) or leave their business (exit).”⁷⁰ It seems very commonsensical to assume that creating a *quality* school takes a lot of time, research, and effort. Allowing anyone to start their own school, regardless of prior experience in education, might lead to disastrous outcomes. Yet, those in favor of minimal regulation advocate that anyone could start their own school. As Friedman argued in a 1973 *New York Times* article, “voluntary organizations – ranging from vegetarians to Boy Scouts to the Y.M.C.A. – could set up schools and try to [attract] customers. And, new sorts of private schools would arise to tap the vast new market – perhaps Mom-and-Pop schools like Mom-and-Pop grocery stores, perhaps also highly capitalized chain schools, like supermarkets.”⁷¹ While the idea might be to allow new actors in education, the necessity of professional expertise in education should not be ignored. Charter schools are an *attempt* to give schools more autonomy, encourage teacher professionalism, and allow for diversity in teaching methods since there are many restrictions to professional freedom in traditional public schools. Yet, it is nonsensical to assume that these can be achieved by opening education provision to *anyone*. Here, education may be analogized with health care; without entry barriers, anyone could serve as medical “professionals,” creating serious risks for the uninformed and vulnerable. Creating significant barriers to ensure professionalism and expertise in schools should not be avoided for the sake of competition.⁷²

Additional Complications: The Consumer

As noted by Stephen J. Ball in his critique of education markets, “unlike most other markets, *who* the client is matters, quality and reputation are related in good part to the clientele themselves, not solely to the service.”⁷³ Some schools may avoid students with disabilities who are more difficult and costly to educate. If certain populations drag down efficiency, it is only economically rational for schools to seek the most cost-effective students. Market proponents have reacted to this criticism, arguing that schools may be incentivized to educate these students because they often carry extra per-pupil funding, although this amount rarely covers the full costs.⁷⁴ Nevertheless, whether schools have been competing for or avoiding these students is an empirical question and will be discussed in Chapter V.

Idealizing the benefits of markets also involves accepting the assumptions behind them. Yet, these assumptions are often unaccounted for in theory and policy. In traditional markets,

⁷⁰ “Assumptions of Perfect Competition,” ECON 100 Section A Wiki.

⁷¹ Milton Friedman, “Selling Schooling Like Groceries,” *The New York Times*, September 23, 1973, <http://nyti.ms/1MNWbJr>.

⁷² There’s a good argument to be made that there are too many unnecessary barriers or not enough incentives to becoming a teacher, but this argument is not related to provision of schools.

⁷³ Ball, “Education Markets , Choice and Social Class,” 8.

⁷⁴ Chubb and Moe, *Politics, Markets, and America’s Schools*, 222.

satisfying the conditions and assumptions behind perfect competition has benefits, namely: innovation and efficiency.

Examining an Education Market: Detroit as a Unique Case Study

State Failure: The Poor Performance of High-Poverty Schools

The emergence of charter schools as a market-based solution, while ideologically aligned with neoliberalism and libertarians, did not arise in a vacuum. In 1983, the National Commission on Excellence in Education published a report titled *A Nation at Risk: The Imperative for Educational Reform*, a critical examination of America's schools that aroused interest in education reforms and inspired many reforms in the 1990s and early 2000s.⁷⁵ The report argued that America's schools were falling behind other nations on both national and international scales, giving the impression that America's schools were "mediocre."⁷⁶ While critics of the report have labeled the report as misleading, the prevalent inequalities in education between rich and poor students in the 1990s and even today are evident and obvious. *Savage Inequalities*, a first-hand examination of schools conducted from 1988-90 by Jonathan Kozol, recounts the massive inequalities between the schools for rich and poor students. As Kozol documents, the quality of education received by students across the U.S. depends on their district, race, and class.

It is no wonder that so many lawmakers, parents, and educational leaders were frustrated with the education system. Governor John Engler of Michigan shared this frustration and turned to the market for a solution.⁷⁷ He labeled Michigan's education system as a "public education monopoly" echoing earlier advocates of market-based education provision.⁷⁸ Engler, among others, saw two main issues with the education system: the vast funding disparities between school districts and student assignments to schools based on where they lived.⁷⁹ Under this "monopoly," students in low-income areas had no way to escape poor quality schools, unless they moved to a district with better schools, which was not an feasible option for many low-income families.⁸⁰ In response to the state's "monopoly of mediocrity" over the schools (i.e., the state), Engler "saw the charter idea as a way to create the competitive environment while also empower parent parents, students, and educators with more choices."⁸¹

The Proposed "Solution": Markets, Choice, and Charter Schools

In 1994 Michigan became the ninth state to enact a charter school law.⁸² In Detroit, a low-income, urban community with a struggling school district, charter schools have been introduced as a way of improving education for all students via choice and competition. Since

⁷⁵ Goenner, "The Origination of Michigan's Charter School Policy," 24-25.

⁷⁶ *Ibid.*, 25.

⁷⁷ *Ibid.*, 66-69.

⁷⁸ *Ibid.*

⁷⁹ *Ibid.*, 68.

⁸⁰ *Ibid.*, 67-68.

⁸¹ *Ibid.*, 80.

⁸² *Ibid.*, 164.

the enactment of the law, charter schools have rapidly expanded, especially in Detroit.⁸³ In fact, for the 2014-2015 school year Detroit was ranked second nationally in its enrollment share of public school students.⁸⁴ Yet, the overall educational marketplace in Detroit includes many low-performing schools, including the traditional public schools (Detroit Public Schools) and charter schools. A recent *New York Times* article in June 2016 described the entire educational marketplace as competitive, but chaotic, where there are many choices but all of which are low-quality. In like manner, Scott Romney, a lawyer and board member of a civic group in Detroit, charged that “[t]he point [of charter schools] was to raise all schools. Instead, we’ve had a total and complete collapse of education in this city.”⁸⁵

Detroit holds the second largest charter school enrollment share in the nation – behind New Orleans, a nearly-100% charter school system – and operates under Michigan’s largely permissive charter school law.⁸⁶ While there has been notable growth in other impoverished communities in Michigan, including Flint, Pontiac, Lansing, and Grand Rapids, charter schools have grown most expansively in Detroit.⁸⁷

Placing Markets in Context: Detroit

As with any type of market, context matters. This is especially the case in Detroit. Out of forty-seven cities with populations of one million or more in the U.S., Detroit was ranked as “the most segregated” in 1990 and remains so to this day.⁸⁸ In 1992, unemployment was over 15 percent, two times the national average at the time. As of 2015, the unemployment rate is much higher than the national average (5.3 percent) at 12.4 percent.⁸⁹ Many of Detroit’s students live in poverty; more than 59 percent of children were reported to live in poverty in 2012.⁹⁰ In addition to segregation, high unemployment, and child poverty, Detroit has lost over half of its

⁸³ “A Growing Movement: America’s Largest Charter School Communities, Tenth Annual Edition,” (Washington D.C.: National Alliance for Public Charter Schools, 2015): 3, <http://www.publiccharters.org/publications/enrollment-share-10/>.

⁸⁴ “Enrollment share” is found by comparing the enrollment of charter schools located in traditional school district boundaries with district-run public school enrollment. As a result, “enrollment share” is the number of students attending public charters that are assigned to the district-run school, but choose a charter instead (Ibid., 2).

⁸⁵ Kate Zernike, “A Sea of Charter Schools in Detroit Leaves Students Adrift,” *New York Times*, 2016, 1–13, http://www.nytimes.com/2016/06/29/us/for-detroits-children-more-school-choice-but-not-better-schools.html?emc=eta1&_r=0.

⁸⁶ Michael F. Addonizio and C. Philip Kearney, “The Detroit Public Schools: A Failure of Policy and Politics,” in *Education Reform and the Limits of Policy* (Kalamazoo, MI: W.E. Upjohn Institute, 2012), 133, <https://muse.jhu.edu/book/23040>.

⁸⁷ Sunil Joy and Amber Arellano, “Accountability for All: 2016, The Broken Promise of Michigan’s Charter Sector,” (Royal Oak, MI: The Education Trust - Midwest, 2016): 6, http://midwest.edtrust.org/wp-content/uploads/sites/2/2013/10/The-Education-Trust-Midwest_Accountability-for-All-2016_February-11-2016.pdf.

⁸⁸ Addonizio and Kearney, “The Detroit Public Schools: A Failure of Policy and Politics,” 205.

⁸⁹ United States Department of Labor Bureau of Labor Statistics, “Unemployment Rates for the 50 Largest Cities: Annual Average Rankings, Year: 2015,” *Local Area Unemployment Statistics*, 2016, <https://www.bls.gov/lau/lacilg10.htm>.

⁹⁰ Addonizio and Kearney, “The Detroit Public Schools,” 205.

population between 1950 and 2000.⁹¹ Population decline continues to this day. From 2002 to 2013 the school-age population in Detroit declined by approximately 200,000.⁹² Yet, despite the decline in students, more and more charter schools have entered the market, creating immensely competitive conditions. Schools are in cut-throat competition over Detroit's students and face the threat of closure if they fail to attract enough students.

The provision and governance of education in Detroit exemplifies many aspects of the education markets theorized by free market proponents. Yet, according to free market theorists, competition and decentralization are features – not flaws – of education markets. The extreme competition in Detroit, however, has a different story to tell. Governor Engler predicted that “with charter schools, I predict nothing less than a renaissance of public education in Michigan.”⁹³ Yet, whether this has occurred in Detroit – the city where charters have had the greatest impact – is up for question. Has the “invisible hand” of the educational marketplace cured the (alleged) ills of Detroit's centrally-managed school system? Or, is Detroit a case where the loosely regulated and decentralized provision of schools has led to an unsustainable and noxious education market?

A Normative Framework for Evaluating Detroit's Education Market

Setting aside the ways in which education may be organized – whether by markets or centralized, democratic control – what makes an education system just or unjust? In general, there are two different responses. One is a standard of adequacy, which holds that the state must ensure all students have adequate educational opportunities. The other is a standard of equality, which holds that the state must ensure students are given equal educational opportunities. Following the work of Deborah Satz and Elizabeth Anderson, I adopt the adequacy standard and take a democratic equality perspective. In particular, I use Anderson's adequacy standard and Satz' criteria for evaluating markets to examine the unethical aspects of education markets.

A Standard of Democratic Equality

A standard of democratic equality demands that everyone in civil society can relate and function as equals.⁹⁴ Democracy requires that citizens are on equal standing so they may govern collectively.⁹⁵ However, as Satz points out, a certain level of goods is a necessary precondition for “counting as a member” or for full inclusion.⁹⁶ These goods may include: education, health

⁹¹ Leanne Kang, “The Dismantling of an Urban School System: Detroit, 1980-2014” (University of Michigan, 2015), 101, <http://hdl.handle.net/2027.42/113328>.

⁹² Darnell Earley, “10-Point Management Plan Addendum A: Detroit School Supply, School Closures and Openings,” 2015, http://detroitk12.org/data/finance/docs/2015.03.03_DPS_10-Point_Management_Plan_Addendum_A_Attachments.pdf.

⁹³ John Engler, “To Strengthen the Family of Michigan,” State of the State Address (January 18, 1994), http://www.michigan.gov/formergovernors/0,4584,7-212-31303_31317-1987--,00.html.

⁹⁴ Elizabeth Anderson, “Fair Opportunity in Education: A Democratic Equality Perspective,” *Ethics* 117, no. 4 (2007): 618, <http://www.jstor.org/stable/10.1086/518806>.

⁹⁵ Satz, *Why Some Things Should Not Be For Sale*, 102.

⁹⁶ *Ibid.*

care, opportunities, rights, liberties, and physical security.⁹⁷ A citizen lacking these goods is “not only ill-equipped to navigate her own life and values but also faces substantial impediments to participation in the economy and participating in public debates about social choices.”⁹⁸

In the U.S., education is undoubtedly linked with one’s position and opportunities in societies and, thus, plays a large role in the ways in which citizens may relate to one another. Essential to a just K-12 education system in a democratic society is that students can enter society and interact with each other as equals. When inferior educational opportunities are primarily distributed to students of color and low socioeconomic status – a phenomenon that has plagued African Americans in the U.S. since the 18th century – the K-12 system is not equitably providing goods that are necessary for these students to relate to others as equals. Anderson sets a high standard for a just K-12 education system. She argues that a just K-12 education system must:

Prepare students from all sectors of society, and especially those disadvantaged along any dimensions, with sufficient skills to be able to succeed in higher education and thereby join the elite. This yields a sufficientarian or adequacy standard for just provision of opportunities for education: every student with the potential and interest should receive a K-12 education sufficient to enable him or her to succeed.⁹⁹

Anderson’s standard requires that the most disadvantaged students be afforded ample educational opportunities to join the elites, or those occupying positions of “responsibility and leadership” such as managers, consultants, professionals, politicians, and policymakers. The reason for this is that democracy requires the democratic elite to have “systematic responsiveness to all” which cannot be achieved without membership from all sectors of society.¹⁰⁰ If those governing or making policy are ignorant of other groups in society (due to segregation or group stereotypes), they are likely to put others at a disadvantage.¹⁰¹ For this reason, social integration of the elite across lines of social inequality is necessary.

How Can Education Markets Undermine Democratic Equality and Educational Justice?

Most important is assessing which system – democratic control or markets – can better achieve this standard of adequacy to meet requirements of educational justice. It may be the case that markets are able to achieve this standard; markets are great tools for producing and distributing goods and resources, and they may increase the efficiency of this process. At the same time, however, markets may not be suitable for distributing *all* goods. There are important reasons for questioning *which* markets are morally problematic and why. Intuitively, it seems that markets for child labor or bonded labor are problematic and ought to be banned or sufficiently regulated.¹⁰² But what rationale can distinguish between noxious markets and non-noxious markets? One view is that we ought to limit or ban markets based on the nature of the

⁹⁷ Ibid.

⁹⁸ Ibid.

⁹⁹ Elizabeth Anderson, “Fair Opportunity in Education,” 597.

¹⁰⁰ Ibid., 596-597.

¹⁰¹ Ibid., 598.

¹⁰² Debra Satz evaluates these markets (and many others) in *Why Some Things Should Not Be For Sale*.

goods being traded.¹⁰³ Other arguments involve regulating or banning markets based on the unequal distributional outcomes or the negative externalities a market may produce. Drawing off the insights of market failure, distributional inequality, and the importance of certain goods, she argues that noxious, or morally problematic, markets “undermine the conditions that people need if they are to relate as equals.”¹⁰⁴ Satz uses the following criteria to assess what makes a market noxious; the first two parameters involve the consequences of markets and the second two involve the sources of the market or the condition of the market agents:¹⁰⁵

- i. *Extremely harmful outcomes for the participants or third parties involved.* Involves markets that produce destitution, harm to the basic welfare or agency interests of the individual.
- ii. *Extremely harmful outcomes for society.* Involves markets that promote “servility and dependence, undermine democratic governance, and undermine other regarding motivations.”
- iii. *Weak agency or asymmetric knowledge.* Involves agents with “inadequate information about the nature and/or consequences of the market” or if others enter the market on one’s behalf.”
- iv. *Vulnerability.* Involves markets that exploit vulnerabilities of the agents involved. Also includes “markets in a desperately needed good with limited suppliers; markets with origins in poverty and destitution; markets whose participants have very unequal needs for the goods being exchanged.”

Any market that scores high along one of these criteria or several of them together may be considered noxious. Accordingly, markets in education must be evaluated along these dimensions. Important to the case of education markets is that they involve children, who are dependent on the decisions made by their parents, and may involve parents who are impoverished or poorly-educated themselves. Children, especially, have weak agency since they are limited in their “ability to participate in deciding matters that bear” on their overall good.¹⁰⁶

Detroit’s Education Market

In Detroit, a place of racial and economic segregation and widespread disadvantage, it is morally imperative that the K-12 education system – regardless of its organization – serve *all* students. Further, it must serve all students to the level at which students are afforded sufficient opportunities to attend and succeed in higher education. The way in which an education system is structured – whether through markets, centralized state control, or centralized democratic control – has serious implications for the provision of adequate education opportunities. Furthermore, it also affects the way people relate to one another in a democratic society.¹⁰⁷ If poor students are given vastly inadequate educational opportunities, they will not be able to

¹⁰³ Satz, *Why Some Things Should Not Be For Sale*, 92-93.

¹⁰⁴ *Ibid.*, 94.

¹⁰⁵ *Ibid.*, 94-98.

¹⁰⁶ *Ibid.*, 95.

High school students may be able to determine which high school is right for them, so long as accurate information is accessible.

¹⁰⁷ *Ibid.*, 9-10.

compete with others on equal terms; in other words, an unfair playing field early-on may work to disadvantage students and bar them from equal social status. Thus, Detroit's education market – a unique way of structuring and organizing education – must be evaluated. My method is inspired by three pieces of literature that analyze institutions as they exist in the world (e.g., markets) to identify the governing rules, social and historic context, and outcomes, and determine the unethical and dysfunctional aspects of such institutions. Specifically, I draw from: Elinor Ostrom's institutional analysis of common pool resources; Frank Adamson, Channa Cook-Harvey, and Linda Darling-Hammond's analysis of New Orleans' educational marketplace; and Debra Satz' framework for noxious markets. In evaluating Detroit's education market, I analyze two dimensions: (i) the structure, or "rules," of the education market and (ii) the outcomes of the education market. In addition, I point out where Satz' standards provide important insights about the outcomes, sources, and agents of the market.

In Chapter IV, the social and legal institutions in which Detroit's education market operates are discussed, as well as the impact these rules may have on the way the education markets to serve all students. There are six important structural features that contribute to the make-up and functioning of the market: (i) parental choice; (ii) zero-sum competitive incentives; (iii) built in profit-incentives for management companies and authorizers; (iv) high deregulation; (v) a lack of accountability and oversight; (vi) and fragmentation of education provision and governance. Then, in Chapter V, the outcomes of the education market are discussed. Over the past twenty years, Detroit's education market has faced four critical issues: (i) the sheer number of school openings and closings; (ii) the high number of for-profit educational management organizations (EMOs) operating Detroit's charter schools; (iii) the instability in classrooms due to high student mobility and teacher turnover; (iv) and the low-performance of all Detroit's schools in the market. Given the structure and outcomes of Detroit's education market, critical problems facing the fragmented education market and how they create substantial barriers for Detroit's students are discussed. The structure of the market has failed to provide equitable and accessible educational opportunities, making the education market a dysfunctional and unjust way to organize K-12 education, especially in a segregated and impoverished community

CHAPTER II: Arguments in Favor of Market-Based Education

An Overview: Justifying the Use of Markets in Education

Proponents of market-based education reforms often point to the failure of democratic governance in providing quality schools to low-income, urban communities. They argue that democratic governance and bureaucracy are the very causes of low-performing schools. They propose a market structure justified by a libertarian sense of justice. The neoliberal argument, on the other hand, holds that markets are simply more efficient; through competition and parental choice, markets can provide quality, diverse, and innovative schools more efficiently than government provision.

The case for market-based education provision is justified by two arguments. The first is what I will label the *libertarian argument*, which focuses on negative rights and the role of a just state.¹ The second is what I will refer to as the *neoliberal argument*, which focuses on the market's ability – and the state's inability – to efficiently provide goods. However, these two arguments are very closely related. In fact, Kathleen Abowitz and Robert Karaba argue that the libertarian argument has served as the “moral cornerstone” of neoliberal education policies.² In the case of charter schools, this seems to be the case; the individual rights argument of libertarianism can (and often is used to) support the argument for school choice and markets in education provision. While these arguments are closely related and overlap in many ways, I will treat them separately because they rely on different premises.

Furthermore, Abowitz and Karaba contrast two theories of justice, namely, “libertarian justice” and “democratic justice” and how these theories have shaped charter school policies. According to Abowitz and Karaba, libertarian justice is based on the notion of negative freedom, while democratic justice is based on the notion of positive freedom. Here, it is useful to distinguish between two types of freedom.³ Negative freedom is the “absence of obstacles, barriers or constraints” external to an agent.⁴ In other words, an agent is free if there are no constraints stopping the agent from doing what they desire to do. According to political philosophies based on negative freedom, negative rights entitle individuals to “non-interference” from other individuals and the state.⁵ In contrast, positive freedom is “the possibility of acting – or the fact of acting – in such a way as to take control of one's life and realize one's fundamental

¹ I credit Kathleen Abowitz and Robert Karaba for their discussion on the difference between neoliberal and libertarian arguments for market-based education (Kathleen Knight Abowitz and Robert Karaba, “Charter Schooling and Democratic Justice,” *Educational Policy* 24, no. 3 (2010): 534–58, <http://journals.sagepub.com/doi/abs/10.1177/0895904809335109?journalCode=epxa>.

² *Ibid.*, 538.

³ To distinguish between positive and negative freedom, I use Isaiah Berlin's distinction between positive and negative liberty.

⁴ Ian Carter, “Positive and Negative Liberty,” *The Stanford Encyclopedia of Philosophy* (Edward N. Zalta, 2016), <https://plato.stanford.edu/archives/fall2016/entries/liberty-positive-negative/>.

⁵ Leif Wenar, “Rights,” *The Stanford Encyclopedia of Philosophy* (Edward N. Zalta, 2015), <https://plato.stanford.edu/archives/fall2015/entries/rights/>.

purposes.”⁶ Positive freedom, then, is the “presence of control on the part of the agent.”⁷ It can require agents to be in control or have “self-determination.” Political philosophies based on positive freedom tend to require provision of goods or services by the government, although the extent and type of goods and services varies.⁸ In sum, negative freedom can be thought to require the *absence* of constraints, whereas positive freedom can be thought to require the *presence* of self-control or self-determination.⁹ Discussion will focus on negative freedom since the relevant libertarian arguments are based on negative freedom.

The key distinction between the libertarian and neoliberal argument is the libertarian focus on *just* political arrangements – those arrangements that maximize negative freedom and respect negative rights.¹⁰ As Abowitz and Karaba note, the neoliberal argument focuses on market efficiency, but “[f]or libertarians, market models are not simply more efficient; they are the social design most likely to produce a free life for individual human beings.”¹¹ Milton Friedman’s (1982) arguments present the most relevant libertarian justification for markets in education provision, resting on the argument that free market provision of education maximizes individuals’ negative freedom. John E. Chubb and Terry M. Moe’s (1990) argument present a case against state provision of education, followed by an argument for market-based provision. Nevertheless, note that these authors are not limited to the arguments I have designated them. Each author presents aspects of both arguments; Friedman does claim that markets are more efficient than central planning and Chubb and Moe allude to why democratic control of schools might infringe on negative rights. Nevertheless, Friedman’s argument clearly typifies libertarian notions of justice, while Chubb and Moe’s argument primarily relies on empirical observations about the efficiency of markets. I use the libertarian and neoliberal distinction in order to clearly define the premises supporting two different justifications. These justifications can work together to make a case for markets in education, but they do not necessarily depend on one another.

The Libertarian Argument: A Rights-Based Justification

The libertarian argument, represented by Milton Friedman, concludes that the state is not justified in providing schools; he argues that the state’s “monopoly” on schools is unjust because the state’s role ought to be limited to imposing a minimum standard of schooling and providing funds for schools. Thus, the state is not justified in administering and providing schools.¹² Friedman’s assertion is supported by a conception of a limited government, merely in place to preserve law and order, enforce contracts, and foster competitive markets.¹³

⁶ Carter, “Positive and Negative Liberty.”

⁷ Ibid.

⁸ Wenar, “Rights.”

⁹ Carter, “Positive and Negative Liberty.”

¹⁰ Abowitz and Karaba draw this distinction between libertarian justice and neoliberalism in their discussion on the differences between democratic justice and libertarian justice (see “Charter Schooling and Democratic Justice”).

¹¹ Abowitz and Karaba, “Charter Schooling and Democratic Justice,” 539.

¹² Milton Friedman, *Capitalism and Freedom*, 2nd ed. (Chicago: Chicago University Press, 1982), 77.

¹³ Ibid., 10.

The justification for the libertarian argument rests on economic freedom, which is a type of negative freedom.¹⁴ Recall that negative freedom requires the absence of coercion by externalities. Friedman understands the market “as a direct component of freedom”; that is, participation in the economic structure without interference is a necessary component of the freedom of individuals.¹⁵ So, competitive capitalism, which allows individuals to partake in voluntary exchange and satisfy their preferences through market institutions, is most conducive to negative freedom.¹⁶ The state does not have the power to organize economic activity; doing so, would be a coercive infringement upon the negative rights of individuals.¹⁷ Subsequently, negative freedom in the case of education is the absence of coercion in choosing the schools one’s children will attend.¹⁸ In a school system where the state supplies schools and assigns pupils to schools based on district location, parents are denied the right to choose their child’s school. Moreover, when the government provides education, parents have little control over how tax money is spent, denying them the freedom to achieve the goods they want.¹⁹ In contrast, in a market-based system, parents are able to exercise greater control over the education their child receives by choosing a school; in this manner, parents can act as individuals partaking in voluntary exchange in a free market with minimal government interference.²⁰

Another reason why Friedman thinks the market is more conducive to the freedom of individuals is that parents can directly satisfy their preference in the educational marketplace. Whereas, in a state-supplied school system governed by democratic politics, parents must win over the interests of the majority and change the rules for everyone.²¹ These “cumbersome political channels” fail to grant parents the choice they are entitled to.²² Along similar lines, Chubb and Moe argue that democracy is “essentially coercive.”²³ A central tenet of democratic politics is that those who win school board seats and superintendent appointments use their authority to make policies that bind all citizens.²⁴ Those who do not win must accept and follow the policies passed by those elected; this, Chubb and Moe argue, is a coercive feature of democracy because “the winners get to use public authority to impose their policies on the losers.”²⁵ While they do not found this claim on a negative rights theory like Friedman, the claimed coerciveness of democracy suggests that democratic control of schools is incompatible with negative rights and, thus, unjust.

¹⁴ Abowitz and Karaba, “Charter Schooling and Democratic Justice,” 542.

¹⁵ Friedman, *Capitalism and Freedom*, 18-19.

¹⁶ *Ibid.*

¹⁷ *Ibid.*, 21.

¹⁸ Abowitz and Karaba, “Charter Schooling and Democratic Justice,” 542.

¹⁹ Friedman, *Capitalism and Freedom*, 81-82.

²⁰ Most markets do not exist without regulations or rules imposed by the government. Here, I do not suggest that Friedman argues for a completely unregulated market. Instead, focus is on whether the government coerces students to attend a school based on where they reside. Friedman claims that denying parents choice in their child’s school is coercive.

²¹ *Ibid.*

²² *Ibid.*, 79.

²³ John E. Chubb and Terry M. Moe, *Politics, Markets, and America’s Schools* (Washington, D.C.: The Brookings Institution, 1990), 29.

²⁴ *Ibid.*

²⁵ *Ibid.*

The Neoliberal Argument: The Efficiency Justification

In *Politics, Markets, and America's Schools* (1990), Chubb and Moe contrast two different institutions governing schools: public schools, governed by direct democratic control, and private schools, governed by market institutions. They argue that democratic institutions by which public schools are governed – direct democratic control – are incapable of efficiently creating high quality and effective schools. That is, the “fundamental properties of democratic control” are the very sources of the ineffective performance of schools.²⁶ Further, they assert that markets are more efficient in delivering private—and, in this case, public—goods. The argument against democratic control will be outlined in detail, followed by the argument in favor of markets.

The institutions of democratic control Chubb and Moe point to are the school board, the superintendent and the district office.²⁷ The school board and superintendent are democratically elected – with the exception that the superintendent may be appointed in some cases. The district office is the bureaucracy created to implement the policies of the board and the superintendent.²⁸ In contrast, market institutions govern private schools. Essentially, parents, in having the freedom to choose among schools in the private sector, exercise more “control” over the schools.²⁹ If dissatisfied with a school, parents do not have to go through democratic political channels. Instead, parents can choose a school that satisfies their preferences.

Chubb and Moe’s argument against democratic control of schools holds that direct democratic control is—in principle—incapable of creating high quality schools. The argument is briefly outlined as follows:

- P1) Effective schools are autonomous and are not burdened by bureaucracy.
- P2) The institutions that govern schools have dramatic consequences on the organization and performance of schools.
- P3) Institutions of democratic control necessarily require bureaucracy because those holding public authority (politicians, school boards, superintendents) must ensure compliance with established policies and face uncertainty over whether their policies will remain in the future.
- P4) Bureaucracy is incompatible with both effective organization and the autonomy of schools and teachers.
- C) Therefore, democratic control of schools is unable to create effective schools.

In their study of private and public schools, Chubb and Moe found that effective schools have the following characteristics: strong leadership, clear and ambitious goals, strong academic programs, teacher professionalism, and staff harmony.³⁰ They also found that schools that were

²⁶ John E. Chubb and Terry M. Moe, “America’s Public Schools: Choice Is a Panacea,” *The Brookings Review* 8, no. 3 (1990): 7, https://www.jstor.org/stable/20080159?seq=1#page_scan_tab_contents.

²⁷ *Ibid.*, 5.

²⁸ *Ibid.*

²⁹ Chubb and Moe, *Politics, Markets, and America's Schools*, 27.

³⁰ *Ibid.*, 187.

more autonomous and less burdened by bureaucracy (i.e., private schools) were better performing and more effective.³¹

Chubb and Moe claim that schools are the “products of their institutional settings.”³² In other words, the institutions that govern and control schools have dramatic consequences on the organization and the performance, or outcomes, of schools.³³ Quite boldly, they assert that there are causal connections between the institutional settings and the organization and outcomes of schools.³⁴ Here, the two institutional settings Chubb and Moe are concerned with are democratic control and markets.

The institutions of democratic control, according to Chubb and Moe, necessarily require bureaucratic bodies for two reasons. First, public authorities are “driven to bureaucratize” schools because of the political uncertainty involved in democratic politics.³⁵ The uncertainty involved in gaining and holding onto public offices causes public authorities to create bureaucratic structures built to protect their policies.³⁶ These bureaucratic structures reduce the autonomy of the schools.³⁷ Second, democratic control involves bureaucracy because those creating the policies need a way to ensure compliance with policies.³⁸ Bureaucracy, then, imposes “goals, structures, and requirements” on schools, giving teachers and principals little discretion in educating students; the rules of bureaucracy and the accompanying monitoring of progress towards established goals are destructive of school-level autonomy and disable teachers and professionals from exercising expertise and professional judgment.^{39,40} In contrast, effective schools are autonomous; teachers and principals are able to design their own organizations, programs, and methods.⁴¹

Chubb and Moe’s argument in favor of market-based education provision is also based on the institutional settings. They argue that the institutional setting of private schools (i.e., markets) explain the effective organization of the schools and their performance; this is due to the fact that markets are more efficient in delivering goods.⁴² Friedman also argues that the market is more efficient than government provision in delivering goods; competitive enterprise is more likely to efficiently meet the demands of consumers.⁴³ Subsequently, they advocate for removing the state’s authority to provide schools and allowing private institutions – run by teachers, principals, community members, and business leaders – to supply schools.⁴⁴

³¹ Chubb and Moe, “America’s Public Schools,” 7.

³² Chubb and Moe, *Politics, Markets, and America’s Schools*, 67.

³³ *Ibid.*

³⁴ *Ibid.*, 185.

³⁵ *Ibid.*, 42.

³⁶ Chubb and Moe, “America’s Public Schools,” 6.

³⁷ *Ibid.*

³⁸ Chubb and Moe, *Politics, Markets, and America’s Schools*, 46.

³⁹ *Ibid.*, 187.

⁴⁰ *Ibid.*, 26.

⁴¹ *Ibid.*, 29.

⁴² *Ibid.*, 27.

⁴³ Friedman, *Capitalism and Freedom*, 79.

⁴⁴ Chubb and Moe, “America’s Public Schools,” 11.

Specifically, Chubb and Moe advocate the creation of an educational marketplace based on three key market principles: decentralization, competition, and choice.⁴⁵ Decentralizing the authority on how schools will be supplied and managed will increase the autonomy of schools; principals and teachers can decide what and how to teach without burdensome regulation and rules from bureaucratic bodies.⁴⁶ In this manner, market provision promotes the autonomy of schools and devolves power to teachers and principals—a vital feature of effective schools, according to Chubb and Moe.⁴⁷ Competition comes into play by enabling schools to compete for students and the government-provided “scholarships” that follow them, leading to an increase in quality, innovation and diversity of schools. Friedman makes a similar assertion, namely that introducing competition into education would promote a variety of schools and give schools more flexibility.⁴⁸ Competition is thought to stimulate development, improvement and variety as businesses compete for capital.⁴⁹ Schools will be incentivized to “please their clients” (or parents) because parents will be given choice in the school to which they send their child.⁵⁰ Choice in schools fundamentally alters the very structure of education because parents are given power to shape the market by entering and leaving schools. Chubb and Moe argue that giving parents choice in a market structure allows them to play a “more central and influential role” because they can achieve the desired school without relying on institutions of democratic control.⁵¹

So, it is thought, when parents act as consumers in an educational marketplace, they will seek the school that best satisfies their preference.⁵² If they are not satisfied with their school, they have the freedom to leave that school, depriving it of funds. As a result of decentralization, competition, and choice, well-run, efficient schools will remain in business and poorly-run, inefficient schools will close. This competition, enabled by giving parents choice in schools, incentivizes schools to become more efficient, otherwise they face the threat of going out of business. Competition and choice are interdependent. This is due to the fact that school improvement depends on the mechanism of “exit,” a term coined by Albert Hirschman. Exit is one of three responses to dissatisfaction with an institution, organization, or business. So, it is thought, when parents act as consumers in an educational marketplace, they will seek the school that best satisfies their preference.⁵³ If they are not satisfied with their school, they have the freedom to exit that school, depriving it of funding. As a result of decentralization, competition, and choice, well-run or efficient schools will remain in business and poorly run or inefficient schools will close. This competition, enabled by giving parents choice in schools, incentivizes schools to become more efficient, otherwise they face the threat of going out of business.

⁴⁵ Chubb and Moe, *Politics, Markets, and America's Schools*, 67.

⁴⁶ *Ibid.*, 29.

⁴⁷ Chubb and Moe, “America's Public Schools,” 5-6.

⁴⁸ Friedman, *Capitalism and Freedom*, 81.

⁴⁹ *Ibid.*

⁵⁰ Chubb and Moe, *Politics, Markets, and America's Schools*, 27-33.

⁵¹ *Ibid.* 23-33.

⁵² Chubb and Moe, “America's Public Schools,” 6.

⁵³ Friedman, *Capitalism and Freedom*, 81.

Unpacking the Assumptions Behind Market-Based Education Provision

Both justifications for market provision – the libertarian and the neoliberal argument – involve some background assumptions about the purpose of schools and how the success of the school is measured. There are three relevant assumptions worth noting.

The Purpose of Schools

First, market provision, in general, assumes that parental satisfaction is: (1) an indication of success; and, (2) *should* be the primary purpose of schools. As Chubb and Moe note, “pleas[ing] their clients” (i.e., parents) is the “primary concern of schools.”⁵⁴ Parental satisfaction, then, is a measure of “success” which wholly depends on what parents value in schooling; some parents may value the instillation of republican virtues, preparation for college, bilingual education, vocational training, religious education, or even racial segregation, to name a few. Along this line of thought, if some parents value racially segregated schooling – and those parents are satisfied with their racially segregated schools – then the school is “successful” on these terms. Furthermore, claiming that parental satisfaction is the *primary* purpose of schools and constructing a model to achieve that end is not a claim to be taken lightly. In fact, educators, taxpayer policymakers, philosophers, and school reformers vastly disagree over the purpose of schools. In a poll conducted in 2000, parents and taxpayers ranked the purposes of schools in order of importance:

1. To prepare students to become responsible citizens
2. To help people become economically self-sufficient
3. To ensure a basic level of quality among schools
4. To promote cultural unity among all Americans
5. To improve social conditions for people
6. To enhance people’s happiness and enrich their lives
7. To dispel inequities in education among certain schools and groups⁵⁵

Notice that these purposes are not exclusive; a school may adopt multiple purposes. Yet, Chubb and Moe advocate narrowing down the purpose of schools to pleasing parents, which may not align with any of these purposes. Some have argued that the disagreement over the purposes of schools is a reason to *support* charter schools. Leonard Waks argues that *non-profit* charter schools have a public character because they allow different communities to start their own schools, allowing for the creation of diverse learning environments where broad public discourse and intergroup interaction can take place.⁵⁶ In one sense, charter school policies might allow schools to offer specialized services tailored towards certain communities with specific needs. Yet, will charter schools with profits in mind seek to serve the same purposes? Is the profit incentive *necessary* for fostering diversity and innovation within education? The reality is that prior to the expansion of charter school policies, many school districts offered alternative school options inside the regular public-school system. For instance, in 1991 – three years prior to the

⁵⁴ Chubb and Moe, “America’s Public Schools,” 6.

⁵⁵ Larry Cuban, *The Blackboard and the Bottom Line: Why Schools Can’t Be Businesses* (Cambridge, MA: Harvard University Press, 2004), 150.

⁵⁶ Leonard J. Waks, “Dewey’s Theory Of The Democratic Public And The Public Character Of Charter Schools,” *Educational Theory* 60, no. 6 (2010): 665–81, doi:10.1111/j.1741-5446.2010.00383.x.

introduction of charter schools – the Detroit Public School (DPS) system established an all-male afro-centric education program in three schools.⁵⁷ In 1993, the Academy of the Americas, a DPS school, opened, offering a dual language immersion program for Detroit’s Spanish-speaking community.⁵⁸

Schools and Groceries, Similar Enough?

Second, the argument for market provision of schools assumes that schools are essentially similar to businesses and will thrive in a competitive and decentralized environment just like any other business. For instance, Friedman’s 1973 *New York Times* article “Selling Schools Like Selling Groceries” likened inefficient government-owned grocery stores to government-run schools.⁵⁹ In effect, he argued that if schools were provided the way in which groceries are provided (i.e., by private retailers), schools would become effective and efficient. While Friedman briefly acknowledged that “schooling is not groceries,” he claimed that “the many and important differences do not invalidate the comparison.”⁶⁰ Friedman does not outline the ways in which education might be different and why the comparison is still valid. Larry Cuban sheds some doubt on Friedman’s claim.

Cuban argues that there are three important differences between schools and businesses: the multiple purposes of tax-supported schools, democratic deliberations in decision-making, and the criteria for determining success.⁶¹ First, schools serve different purposes than businesses. As aforementioned, schools serve predominantly public purposes to improve the collective good by cultivating common moral values, encouraging civic engagement, and reducing social, economic, and political inequality.⁶² In contrast, businesses *tend* to serve multiple purposes with the ultimate goal of increasing “‘bottom line’ outcomes” such as revenues, profits, and dividends to investors.⁶³ These outcomes predominantly serve *private* interests.

Second, schools and businesses have different means of decision making. On the one hand, traditional public schools must have elected school boards that deliberate and make decisions publicly; they are also under public scrutiny.⁶⁴ On the other hand, businesses are often under corporate governance, where the decision making takes place “behind closed doors” without public input.⁶⁵ One might think that public involvement in decision-making over schools matters simply because it is taxpayers who will be funding schools. Allowing corporate governance in schools effectively removes taxpayer voice in such decision-making, while

⁵⁷ “Robeson/Malcolm X Academy,” *Detroit Public Schools*, accessed February 12, 2017, <http://detroitk12.org/schools/robesonmalcolm/>.

⁵⁸ “School of the Week: Academy of the Americas,” *Detroit Public Schools*, 2013, <http://detroitk12.org/content/2013/06/03/school-of-the-week-academy-of-the-americas/>

⁵⁹ Milton Friedman, “Selling Schools Like Selling Groceries,” *New York Times*, September 23, 1973, <http://nyti.ms/1MNWbJr>.

⁶⁰ *Ibid.*

⁶¹ Cuban, *The Blackboard and the Bottom Line*, 150-55.

⁶² *Ibid.*, 150-51.

⁶³ *Ibid.*, 151.

⁶⁴ *Ibid.*, 153.

⁶⁵ *Ibid.*, 153.

allowing for exit.⁶⁶ Moreover, should schools only be accountable to shareholders who have a financial stake in the school? The whole idea of public education is that it's taxpayer-funded and accountable to *all*.

Third, schools and businesses do not use the same criteria for evaluating success. Businesses use net profits to evaluate success, but what about schools? Some reformers have advocated the use of standardized testing to evaluate the success of schools.⁶⁷ There are two problems with measuring success with test scores. As Cuban points out, "using test scores to measure the product of schooling misleads parents and taxpayers into believing that there is a common 'bottom line' when no such line even exists."⁶⁸ Using standardized tests as a primary measure of schools presumes that the test measures the most important features of schooling, which faces the danger of narrowing the curriculum and failing to achieve the many different purposes of schooling. Second, if the test gets very specific, schools and their teachers won't have discretion about what to teach; this could violate the autonomy charter school proponents seek in schools. This issue also relates to *who* is crafting the test. The group in charge of creating a standardized test holds power over the skills and knowledge to be assessed and taught.

As outlined, schools are different from businesses in ways that might affect how an education market might function and the resulting outcomes. For this reason, it should not be assumed that the differences between schools and businesses do not matter when touting the benefits of market provision. Cuban's reasons for why schools are not businesses do not shut the door on arguments for market-based education reforms. Nonetheless, they shed doubt on and raise questions about the viability of an education market and how markets might be structured to mitigate these problems.

The Role and Responsibilities of Parents

Third, market provision enlarges the role of parents by giving them primary responsibility for securing a good school in the educational marketplace and holding schools accountable. This rests on the empirical assumption that parents are informed consumers in such a market and in a good position to judge what school is best for their child. Holding this position, however, entails that the parents – not the school or the state – are to blame for the insufficient education of their child because they are responsible for securing a sufficient education even if the market fails to provide accessible quality options.

Critiquing Market-Based Education Arguments

From State to Markets: Bureaucracy as the Source of the Problem?

In social theory, bureaucracy is a multi-level top-down administrative governance of any organization, including private and public. Chubb and Moe see the institutions of democratic control as "inherently conducive to bureaucracy."⁶⁹ With regard to the public education system

⁶⁶ Exit and voice will be further discussed in Chapter III.

⁶⁷ *Ibid.*, 154.

⁶⁸ *Ibid.*, 154-55.

⁶⁹ Chubb and Moe, *Politics, Markets, and America's Schools*, 47.

in the U.S., Chubb and Moe define educational bureaucracies as: the “rules governing organizational incentives, rules governing what teachers do, and rules governing how basic educational decisions must get made and who gets to make them.”⁷⁰ The problem, they argue, is that decision-making of school-level leaders (principals) is limited by the rules imposed by higher levels of government.⁷¹ Politicians, interest groups, and bureaucrats are fighting for influence and to impose “higher-order values” through rules and bureaucratic structures.⁷² There are two sources of these rules: protections for civil service officials and teachers’ unions. First, public officials enact protections such as tenure laws and certification requirements to “insulate teachers from political influence”.⁷³ Second, teachers’ unions’ demands for higher pay, fringe benefits, and vacations and the resulting in formal rules that restrict the discretion of principals. In contrast, in a market setting “market forces’ give the owners of schools strong incentives not to organize bureaucratically but to grant their schools substantial autonomy instead.”⁷⁴

Yet, the features that Chubb and Moe critique are not inherent to bureaucracy; bureaucracies may be organized in a number of different ways by: the number of administrative levels; the levels at which power is concentrated; and the level of uniformity of top-level decisions. It could be the case that the private school bureaucracies are more effectively organized, but they still involve a type of bureaucracy. Bureaucracy, too, may not be all that bad. In fact, bureaucracy may ensure that important aspects of education are coordinated; for instance, bureaucracy may ensure that disabled students have access to unique educational services, low-income students are fed breakfast and lunch at school, and transportation is provided. In addition, many of the top school systems world-wide are government-controlled – not under the control of competitive markets – including: Finland, Singapore, Canada, Japan, and Korea.⁷⁵ For instance, Finland’s government-administered public education system gives teachers a great deal of autonomy and little interference by central education administration. In fact, within the government-managed education system, Finland managed to decentralize educational administration and increase school autonomy without markets.⁷⁶ Whether these models can be applied to education in the U.S. is up for question since the socioeconomic background conditions in which schools operate vary across different countries.⁷⁷

⁷⁰ Ibid., 49.

⁷¹ Ibid., 48.

⁷² Ibid., 47

⁷³ Ibid., 48.

⁷⁴ Ibid., 51.

⁷⁵ This is according to the results of the 2015 Program For International Student Assessment (PISA). Deidre McPhillips, “The Best Students in the World,” *US News and World Report*, December 6, 2016, <https://www.usnews.com/news/best-countries/articles/2016-12-06/2015-pisa-scores-are-no-surprise>.

⁷⁶ Pasi Sahlberg, *Finnish Lessons 2.0: What Can the World Learn From Educational Change in Finland?*, 2nd ed. (New York: Teachers College Press, 2014).

⁷⁷ For instance, Finland’s gini co-efficient is much lower than that of the U.S. In addition, Finland uses the Nordic welfare model as a social safety net and has been successful in recent years in reducing its poverty rate.

Critiquing Efficiency

The neoliberal justification for the use of markets in education provision holds that markets are more efficient in delivering goods and, thus, the market can be used to increase the efficiency with which public education is provided.⁷⁸ Put simply, the market is an efficient way of providing “educational services that satisfy parents and students.”⁷⁹ But what, exactly, does efficiency mean in the context of education? Is efficiency simply the ratio between “input and output, efforts and results, expenditure and income, or cost and resulting benefit”?⁸⁰ An efficient education system may be one that costs as little as possible while maximizing some bottom line, such as parental satisfaction (indicated by enrollment), or standardized test scores.

The efficiency argument leads one to think that these inputs and outputs can be easily quantified into dollars and numbers, but hides two important assumptions. First, it assumes we agree on “what outcomes are worth pursuing.”⁸¹ What is the bottom-line of efficient education provision? Unfortunately, there is great disagreement by education researchers over what the bottom line should be and whether it even exists; not many people agree on what constitutes a “good” education.⁸² Second, as Deborah Satz argues, every bottom-line or measure of efficiency involves ethical assumptions.⁸³ As a result, the neoliberal justification cannot separate itself from some moral assumptions. While there may be many bottom-lines, I highlight two predominant ones among charter school advocates.

An efficient education system might be one that maximizes standardized test scores with minimal monetary input. The worries over this approach have already been discussed; the worry is that focus on standardized tests narrows education to a test and, thus, misses out on some important features of education and learning. Or, as Chubb and Moe and Friedman ardently argued, efficient education provision uses parental satisfaction as its measure of success. The line of thought here is that schools won’t be wasteful in their use of funding because they must satisfy their customers or risk losing the funding. Here, parental satisfaction is essentially a Pareto optimal measure of preference satisfaction, which holds that people are better off “the more their own (consistent) preferences are satisfied.”⁸⁴ Satz points out two problems with this approach: not all preferences are equally worthy of satisfaction, and some preferences may involve harming others. Parents valuing racial segregation are apt to hurt other students when satisfying their preference in the education market. Schools that focus on students with the least expensive learning needs (i.e., high income students without disabilities) in the quest to

⁷⁸ Friedman, *Capitalism and Freedom*, 79.

⁷⁹ Chubb and Moe, *Politics, Markets, and America’s Schools*.35-36.

⁸⁰ Gary Miron and Christopher Nelson, *What’s Public About Charter Schools? Lessons Learned About Choice and Accountability* (Thousand Oaks, CA: Corwin Press, 2002), 8.

⁸¹ *Ibid.*, 8.

⁸² Cuban, *The Blackboard and the Bottom Line*, 154-55.

⁸³ Debra Satz, *Why Some Things Should Not Be For Sale: The Moral Limits of Markets* (New York: Oxford University Press, 2010), 34.

⁸⁴ *Ibid.*, 20.

maximize learning outputs with limited resources may harm disadvantaged students.⁸⁵ The same goes for using parental satisfaction as a measure; schools may focus resources on students whose parents are likely to complain or exit the school if dissatisfied.⁸⁶

Regardless of the bottom-line used in assessing efficiency, we must think about the values that may be undercut if efficiency is pursued without regard for social justice and how people relate to each other.⁸⁷ If performance is based on parental satisfaction in a racist society, this may severely undercut the ways in which students relate to one other and force disadvantaged students to endure long and persisting racism. Or, if increasing performance on standardized tests as cheaply as possible, we may end up with a highly-reductionist approach to education, where computerized software does the teaching – probably one of the cheapest ways to educate students. Yet, students will miss out on critical social and emotional skills that should be taught in schools, such as how to cooperate with others, work as a team, present their ideas to others, and respect others. These students, in turn, may enter society without the skills necessary to relate as equals with others in society, a necessary feature of any democracy

⁸⁵Stephen J. Ball, “Education Markets , Choice and Social Class: The Market as a Class Strategy in the UK and the USA,” *British Journal of Sociology of Education* 14, no. 1 (1993): 7, <http://www.jstor.org/stable/1392976>.

⁸⁶ Ibid.

⁸⁷ Satz, *Why Some Things Should Not Be For Sale*, 4.

CHAPTER III: Democratic Critiques of Market-Based Education Reforms

Proponents of market-based education reforms converge on the following claim: the provision and governance of schools should be left to the market. As discussed in Chapter II, there are two justifications for this claim. The libertarian argument holds that government provision of schools is a denial of negative freedom and the market is a more *just* mechanism for the provision and governance of schools. The neoliberal argument holds that the market is a more efficient way of providing and governing schools.

There are three main criticisms of market-based reforms in education. First, some opponents argue that education markets can exacerbate inequality and are, therefore, unjust. Second, some argue that market-based reforms are not appropriate for education because they mistake education for the kind of good it is and treat it as a commodity or sales transaction; in other words, the nature and purposes of markets and education are inconsistent. Third, opponents claim that the market-based reforms are unjust because they undermine the collective and democratic decision-making institutions that properly govern education. The first and second criticism will not be discussed, although there is substantial evidence supporting the claim that markets perpetuate existing socioeconomic inequalities in the provision of educational opportunities. The third criticism will be discussed at length and critiqued. Lastly, I argue that this this criticism does not adequately explain what's really wrong or unjust with the use of markets in education.

Markets versus Democracy: Exit versus Voice?

Exit, Voice, and Schools

One of the main criticisms of market-based education reforms is that the governance of education is left to an aggregate of consumer choices rather than subject to collective deliberation. In Albert Hirschman's terms, the problem is that *exit* replaces *voice* in the provision and governance of education. Exit and voice are two responses to decline in organizations. Voice is defined as:

any attempt to change, rather than escape from an objectionable state of affairs, whether through individual or collective petition to the management directly in charge, through appeal to a higher authority with the intention of forcing a change in management or through various types of actions and protest.¹

Voice involves expressing and articulating grievances in order to enact the change one seeks. In contrast, exit is much more neat and impersonal.² To exit is simply to leave the organization. As Hirschman describes, the "success and failure of the organization are communicated . . . by a set of statistics."³ A business may look at its sales numbers to see whether it is losing or gaining customers. Exit by a substantial number of customers communicates that customers are not satisfied with the product they are receiving.

¹ Albert O. Hirschman, *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States* (Cambridge, MA: Harvard University Press, 1970), 30.

² *Ibid.*, 15.

³ *Ibid.*

In the case of schools, market-based proponents argue for allowing *all* parents – not just those who can afford to move residence – to exit schools they find unsatisfactory. The poorly-run schools, then, will be incentivized to improve, or else lose funding and face fiscal strain or even closure; these schools will discover the poor quality of their educational services through declining enrollment numbers and, thus, declining revenue. As discussed in Chapter I, many people were frustrated with the education system and, subsequently, argued that the system was unresponsive to *voice* and would be better incentivized to respond if threatened with exit. A system where funding effectively follows students creates a market where schools must compete for students in order to remain in business. Proponents argue that the resulting market will be full of diverse and quality options for all students.

Voice and Collective Decision-Making over Exit

Many opponents of market-based reforms have argued that relying on exit instead of voice changes the way society makes allocative decisions over public goods. This change, they argue, is problematic because decisions regarding public goods should be “monitored, revisable, and accountable to the public.”⁴ As many argue, the public should have *voice* in decisions regarding public education via elected school boards and general state and federal elections.

In a market-based education system, it is up to individual parents and schools to improve the quality of education for all students; schools are left to provide quality options and parents are left to choose the best ones. Geoff Whitty claims that the uncoordinated decisions of consumers or “[a]tomized decision making” could have devastating effects for an already-highly stratified society: “transferring responsibility for decision making from the public to private sphere can actually reduce the scope for collective action to improve the quality of education for all.”⁵ The transfer of responsibility from the collective community to autonomous private suppliers and consumers, he argues, ignores the fact that education is a “public responsibility” that requires collective – not individual – action.⁶ By the same token, Mary Healy describes the education market’s reliance on exit for improvement as a zero-sum game where parents must seek a good school at the expense of others.⁷ This zero-sum game, she argues, does not improve the school and students who are left behind.⁸ Students may be trapped in struggling schools if they lose funding due to enrollment declines. In an environment of cutthroat competition, schools may not cooperate with each other and share effective practices; this will only hurt students who may not have secured a spot at one of the best schools.⁹ Furthermore, she argues, it erodes the civic loyalty necessary for citizens to relate as equals.¹⁰

⁴ Ranson, “Markets or Democracy for Education,” 339.

⁵ Geoff Whitty, “Creating Quasi-Markets in Education: A Review of Recent Research on Parental Choice and School Autonomy in Three Countries,” *Review of Research in Education* 22 (1997): 33, <http://www.jstor.org/stable/1167373>.

⁶ *Ibid.*, 37.

⁷ Mary Healy, “School Choice, Brand Loyalty and Civic Loyalty,” *Journal of Philosophy of Education* 41, no. 4 (2007): 752, <http://onlinelibrary.wiley.com/doi/10.1111/j.1467-9752.2007.00594.x/abstract>.

⁸ *Ibid.*, 752.

⁹ *Ibid.*, 750-753.

¹⁰ *Ibid.*, 754.

Similarly, Jeffrey Henig argues that market-based education reforms remove public forums where democratic decision making takes place. This is a problem, he argues, because education is a public good that involves far-reaching societal consequences, or externalities. Effectively, these arguments focus on how the market places the provision and governance of education beyond “public deliberation.”¹¹ Recall that Chubb and Moe and Friedman argued for this type of dispersion among school providers and parents; they saw it as a positive aspect of the market-based model. Further, they viewed public deliberation, bureaucracy, and politics as a burden upon education and the very *cause* of low-performing schools. Yet, Whitty and others are concerned that splitting resource allocation among many individual parents and schools diminishes the ability for the community at large to solve problems in education.

Reflections on the Current Debate: Does it Miss the Mark?

These arguments focus on the importance of voice – specifically, public or collective deliberation – in the decision-making process regarding public education and reject reliance on the use of exit to communicate dissatisfaction with schools. Accordingly, the discussion often centers around whether markets or centralized, democratic control constitute a more effective or just arrangement in the provision and governance of education. Many scholars have framed the problem as one between markets and democracy – namely, Chubb and Moe, Stewart Ranson, and James Tooley – and argue strictly *within* a framework of exit versus voice. Yet, is the appeal to voice over exit successful in describing why markets shouldn’t be in education? One of the main objections to this argument is that *markets are democratic* and consumer voice can play an important role in the governance of education. This objection will be discussed and critiqued. Then, it will be explained why the markets versus democracy framework is not constructive. Note, however, that this framework is not invalid per se, but it might not provide insight to the actual ways in which real education markets may function or suffer from dysfunction.

The Neoliberal Response: Markets are Democratic

Consider the objection that markets are, in fact, democratic. In response to Ranson’s criticism of the market’s reliance on consumer exit for improvements in quality, James Tooley points out that consumers have two options in education markets: exit *and* voice.¹² Parents may either leave the school or complain to the management of the school.¹³ This way, parents can deliberate and have voice in the school system. Historically, many democratically governed school systems have failed to listen to the voice of the most disadvantaged, who were unable to exit dysfunctional school systems due to economic constraints.¹⁴ Historically, some local school districts – institutions of collective governance – have not been accountable to their students and parents. Tooley argues that the market-based system gives parents even greater power over their situation with the ability to exit schools; this avenue is no longer restricted to the privileged or

¹¹ Ranson, “Markets or Democracy for Education,” 338.

¹² James Tooley, “Markets or Democracy for Education? A Reply to Stewart Ranson” *British Journal of Educational Studies* 43, no. 1 (1995): 30, <https://www.jstor.org/stable/3121754?seq=1> - page_scan_tab_contents.

¹³ *Ibid.*, 30-31.

¹⁴ *Ibid.*

influential because all citizens will have the choice to exit.¹⁵ Tooley goes farther to argue that “[m]arkets are much more like responsive democracies” because they “demand that people are convinced of the value of the ideas on offer.”¹⁶ As consumers in education markets, schools in the market must successfully sell their education services to parents; if enough parents are not convinced and exit the school, then the school faces possible closure. According to Tooley, markets are more democratic in this sense. Echoing the arguments of Chubb and Moe, Tooley suggests that there are no winners and losers in an education market.¹⁷ In democratically controlled schools, the majority imposes policies on the minority. Plus, Tooley adds, many democracies are ridden with “media manipulation, privilege, rent-seeking, log-rolling, luck expediency, charisma, ignorance and behind-the-scenes corruption.”¹⁸ In contrast, in education markets, each individual seeks the school that suits their preferences. Essentially, each consumer can become a winner, so long as suitable options are available and they make the “right” decision in the educational marketplace.

While Tooley’s use of the word “democracy” is not the most precise way of describing consumer choice, he is right to point out that parents have both voice and exit in an education market. Parents may complain to the school and threaten the school administration with the loss of funds. Nevertheless, Tooley is incorrect because he conflates two notions of voice. One notion of voice is simply having a channel of input, or a way to express complaints to decision-making authorities, but without any means to hold these authorities accountable; that is, there are no channels by which they can be removed from power. Another notion of voice is an input that plays an official role in collective decision-making or accountability (e.g., voting). Tooley’s objection concerns the use of voice at a different *level* of organization: the individual school level. Since funding is effectively tied to student enrollment in an education market, the power of parental voice might be even stronger at the school level than in a centralized system where parents cannot easily exit.¹⁹ By contrast, Healy, Henig, and Whitty are more concerned about voice at *system-wide* level regarding governance and provision – matters that deal with the ways in which scarce educational resources might be allocated and used. As Whitty explains, the problem with the use of markets is that voice – as in, *collective governance* – is eliminated. Using voice at a school-level is not equivalent to democratic, or collective, governance. As for the worry about rule by the majority, Chubb and Moe are ignoring compromises and minority accommodations that are commonplace in democratic decision-making.

In an education market, there are no school boards, central district offices, or state departments to use collective voice regarding these matters.²⁰ With decision making

¹⁵ Ibid.

¹⁶ James Tooley, “Politics, Markets, and Schools,” *Journal of Philosophy of Education* 28, no. 2 (1990): 263, doi:10.1111/j.1467-9752.1994.tb00332.x.

¹⁷ In Chapter V, I will argue why this claim should be doubted. Evidence from education markets in New Zealand, New Orleans, and Detroit clearly demonstrate that there are winners and losers in an education market.

¹⁸ Tooley, “Markets or Democracy for Education?” 32.

¹⁹ Michael Mintrom argues that schools may try to prevent parents from exiting by allowing parents to have a greater voice in the decision-making process.

²⁰ In Michigan, charter schools do have school boards, but they are not democratically elected by voters residing in the community. Instead, charter boards are appointed by their authorizer (Gary Miron and

decentralized and dispersed, decisions are not “monitored, revisable, and accountable to the public at large.”²¹ Instead, only individual parents – not the public at large – can hold individual schools accountable if they are consumers in the education market.

Democracy (Voice) in Charter Schools?

Similarly, others have argued that charter schools have a potential to be democratic in ways that traditional public schools have not been historically. In other words, some argue that charter schools can be democratic and include citizen voice. This voice, however, is primarily executed at the individual school level and not in the ways proponents of system-wide democratic control advocate.

Michael Mintrom argues that market organizations – specifically, charter schools – have a democratic potential and can serve as sites of “inclusive decision making” and deliberative democracy.”²² Mintrom claims that market forces and citizen voice do not have to be exclusive; instead, via charter schools the market and voice can be “mutually reinforcing.” Because schools are placed in a competitive environment, they have greater incentives to involve parents in decision making and listen to citizen voice.²³ In “Market Organizations and Deliberative Democracy: Choice and Voice in Public Service Delivery,” Mintrom reports the results of his examination of charter schools in Michigan. He concludes that it is *empirically plausible* for charter schools to serve “as sites for the development of deliberative democracy.” He found that the policymaking *within* charter schools are more inclusive than traditional public schools; teachers and parents were consulted in charter schools more often than traditional public schools (TPSS).²⁴ Voice at the school level, however, is not guaranteed and depends on whether the leaders of the schools create opportunities for deliberative democracy.²⁵ Although this may be true, he admits that charter schools that “did not appear to be run in ways especially different from traditional public schools.”²⁶ In addition Mintrom notes that the large scale of many of the education management organizations (EMOs) managing multiple schools can isolate the decision-makers from parent voice and local problems.²⁷ In addition, EMOs conflict with the original notion of autonomous, community based, or teacher-led schools key to the charter school concept. Nevertheless, market-oriented charter school advocates have not objected to large-scale organizations. In fact, Friedman advocated for the creation of “highly capitalized chain schools like supermarkets.”²⁸

Christopher Nelson, *What’s Public About Charter Schools? Lessons Learned About Choice and Accountability* (Thousand Oaks, CA: Corwin Press, 2002), 33.

²¹ Ranson, “Markets or Democracy for Education,” 339.

²² Michael Mintrom, “Market Organizations and Deliberative Democracy: Choice and Voice in Public Service Delivery,” *Administration & Society* 35, no. 1 (2003): 62, 75
<http://journals.sagepub.com/doi/abs/10.1177/0095399702250346>.

²³ *Ibid.*, 75.

²⁴ *Ibid.*, 69.

²⁵ *Ibid.*, 76.

²⁶ *Ibid.*, 74.

²⁷ *Ibid.*, 75.

²⁸ Friedman, “Selling Schooling Like Groceries.”

Mintrom's view is an account of deliberative democracy at the individual school-level, where voice may be stronger in some schools in a market-based education system. Fostering inclusive decision-making at the school-level is important and a noble ideal, yet it remains doubtful as to whether this deliberative democracy can survive in a chaotic education market – if an education market is unsustainable and schools are fighting over students (and funding), can the deliberative democracy posited by Mintrom come to fruition? It is plausible that schools will have greater incentives to include parents when making decisions. At the same time, it is also plausible that the rise of for-profit management companies that manage multiple schools will discourage deliberative democracy in order to cut costs.

Kathleen Abowitz and Robert Karaba share a similar view but are in vast disagreement with Mintrom and free market advocates who argue for a market-based education system through charter school policies. Abowitz and Karaba hold that charter schools have democratic potential but reject charter school policies based on a libertarian sense of justice. As discussed in Chapter I, markets and charter schools became associated through policy and were seen by some as a less-radical move towards vouchers and full privatization. Arguments for charters often fall back on the purported efficiency of markets (the neoliberal argument) or on a negative-rights based justification (the libertarian argument). Often times the libertarian argument is used as the “moral cornerstone” of neoliberalism.²⁹

Abowitz and Karaba argue that charter schools cannot reach their democratic potential if based on a libertarian sense of justice. In order for charter schools to reach their democratic potential, the policy must be based on what Abowitz and Karaba call the “democratic conception of justice.”³⁰ The democratic conception of justice is based on a positive freedom, which they define as the “affirmative ability to actively take advantage of one’s own agency in pursuing life goals and ambitions.”³¹ Democratic justice demands participatory parity or the full inclusion of all citizens.³² Democratic justice, they argue, can only be achieved when resources are distributed equally and the specific injustices suffered by different socioeconomic groups are recognized.

Charter school policies based on libertarian justice and maximizing the negative rights of individuals will not address already-present material and social inequities, which fails to address problems of redistribution. For instance, many policies are constructed so that it’s difficult for local community groups to start their own charters. Instead, entrepreneurs with ample resources or connections to powerful donors can start charter schools while many grassroots movements do not have the resources to do so, especially in impoverished urban areas.³³ Additionally, charter school policies that provide negative liberties – a choice of schools, or exit – inadequately address recognition. Recognition “focuses on injustices that are rooted in cultural non-recognition, domination, and disrespect, suffered by certain socioeconomic groups.”³⁴

²⁹ Kathleen Knight Abowitz, “Charter Schooling and Democratic Justice,” *Educational Policy* 24, no. 3 (2010): 538, <https://doi.org/10.1177/0895904809335109>.

³⁰ *Ibid.*, 537.

³¹ *Ibid.*, 542.

³² *Ibid.*, 545-48.

³³ *Ibid.*, 546.

³⁴ *Ibid.*, 548

Making schools more democratic can enable “students and their families to become citizens who can and do participate in public spaces and deliberation around their educational futures.”³⁵ Charter schools open a new opportunity space where parents, teachers, and students are granted greater flexibility and autonomy that increases the participatory parity of all citizens.³⁶ In other words, charter schools based on democratic justice may serve as an opportunity for disadvantaged groups to “enact their own educational, political and moral visions.”³⁷

Abowitz and Karaba’s vision for democratic charter schools demonstrates why the market is not *necessary* for the autonomy and community involvement sought by charter school opponents. Chubb and Moe and other charter proponents aimed to create schools that have autonomy and flexibility in governance so they are able to meet the unique needs of the students they educate. Yet, the market is not a necessary condition for the creation of autonomous and community-based schools. Additionally, Abowitz and Karaba’s argument illustrates that there are other models that may be effective in realizing the democratic goal of schools. The options are not merely limited to a full-fledged, unregulated education market and a highly centralized, bureaucratic system controlled by school boards.

A False (and Unhelpful) Dilemma

Most of the discussion centers on the merits and vices of markets and democracy, with a special emphasis on whether voice or exit is more important. Like most issues framed in dichotomies, this discussion becomes unhelpful and fails to be constructive. As Elinor Ostrom argues, “institutions are rarely either private or public – ‘the market’ or the state.” In fact, many of the common pool resources she evaluates are mixtures of private *and* public features. It is for this reason that Ostrom rejects policy prescriptions based on metaphors or theories involving “oversimplified, idealized institutions.”³⁸ As she notes, often times, these prescriptions, whether in favor of centralized management or privatization, fail to reveal how these institutions should be formed and managed.

When the discussion is framed between two *seemingly* dichotomous solutions what might get lost is a simple, but important, question: what works? Which institutions will successfully create an education system that can provide accessible and quality education for all students, regardless of socioeconomic status? Using idealizations of exit and voice fail to explain what has and might go wrong in actual education markets. After all, the ideal of the free market is just that, an ideal. As Barnard Harcourt explains:

It is time, well past time, to sever our contemporary assessment of economic organization from the rhetoric of the free market, natural order, and market efficiency . . . At the end of the day, the notion of a ‘free market’ is a fiction.

³⁵ Ibid., 550.

³⁶ Ibid.

³⁷ Ibid., 542.

³⁸ Elinor Ostrom, *Governing the Commons: The Evolution of Institutions for Collective Action* (New York: Cambridge University Press, 1990), 22.

There is simply no such thing as a nonregulated market – a market that operates without legal, social, and professional regulation³⁹

The same standard must be applied to institutions of democratic governance. Voice is an important and noble ideal, but the institutions governed by collective voice have not always succeeded. While democratic institutions will not be specifically analyzed in this thesis, the point is that both institutions – markets and democracy – must be assessed *on the ground* in the contexts in which they operate. In his assessment of quasi-market failure, David Lowery notes that “market failure does not imply nonmarket success” and vice versa: “*nonmarket failure does not imply quasi-market success.*”⁴⁰ In the U.S., there are many failing school systems based on centralized public management. There are also failing school systems based on charters in a market environment. Neither markets nor democratic control, exit nor voice are guaranteed to provide education in a just or equitable manner. Instead, how these institutions function must be evaluated before making more policy prescriptions based on theories or ideology.

³⁹ Bernard Harcourt, “A Prolegomenon,” in *The Illusion of Free Markets: Punishment and the Myth of Natural Order* (Cambridge, MA: Harvard University Press, 2011), 242.

⁴⁰ David Lowery, “Consumer Sovereignty and Quasi-Market Failure,” *Journal of Public Administration Research and Theory* 8, no. 2 (1998): 166, <http://www.jstor.org/stable/1181554>.

CHAPTER IV: Michigan's Charter School Law

As a market-based policy, charter schools seek to change the ways schools are traditionally governed, funded, and organized.¹ In theory and policy, creating an education market is often attempted by a combination of structural changes, including: parental choice, deregulation, new accountability standards, competition, and profit-incentives.² Policies, however, vary across education markets. As Deborah Satz reminds us, the structure and function of markets depends on the social, cultural, and legal institutions in place.³ For this reason, different lessons may be derived from the way specific markets are structured and the resulting outcomes. The first part of this chapter will focus on the “rules” of Detroit’s education market by examining Michigan’s charter school law and the accompanying changes in school finance.⁴ The following question will be answered: in what ways does Michigan’s charter school law and Proposal A reflect the aforementioned structural changes involved in creating an education market?

The “Rules”: Michigan’s Charter School Law, Proposal A, and The Role of EMOs

With the passage of Michigan’s charter school law and changes in school aid via Proposal A in 1994, Governor John Engler pursued his “vision for a competitive educational marketplace.”⁵ According to James N. Goenner’s account of the origins of Michigan’s charter school law, Engler “saw the charter idea as a way to create the competitive environment while also empowering parents, students and educators with more choices.”⁶ Key to Engler’s vision was the idea that competitive markets could improve education, especially in disadvantaged communities dominated by poorly-performing public schools.⁷

The adoption of Proposal A in March 1994 drastically changed the way schools are funded in Michigan and worked hand-in-hand with schools of choice and charter school legislation towards the creation of a market in education.⁸ Proposal A replaced the property tax –

¹ Gary Miron and Christopher Nelson, *What’s Public About Charter Schools? Lessons Learned About Choice and Accountability* (Thousand Oaks, CA: Corwin Press, 2002), 19.

² I borrow from the scholarship of Goenner, Miron and Nelson, Adamson, Cook-Harvey, and Darling Hammond to explain concepts fundamental to the argument in favor of charter schools and the resulting policies.

³ Debra Satz, *Why Some Things Should Not Be For Sale: The Moral Limits of Markets* (New York: Oxford University Press, 2010), 15-16.

⁴ David Arsen, David Plank, and Gary Sykes argued that the “rules” or policies of school choice matter a great deal when examining how Michigan’s school choice policy was designed. In my analysis of charter school policy and proposal I draw off their general method of examining the “rules” (i.e., policies).

⁵ James N. Goenner, “The Origination of Michigan’s Charter School Policy: An Historical Analysis” (PhD diss., Michigan State University, 2011), 1, <https://etd.lib.msu.edu/islandora/object/etd%3A872/datastream/OBJ/view>

⁶ *Ibid.*, 80.

⁷ *Ibid.*, 68-69.

⁸ *Ibid.*, 164.

Leanne Kang, “The Dismantling of an Urban School System: Detroit, 1980-2014” (PhD diss., University of Michigan, 2015), 70-71, <http://hdl.handle.net/2027.42/113328>.

previously the primary source of school funding – with the state sales tax and established a minimum per pupil foundation allowance.⁹ After its passage, each district’s revenue depended on the number of pupils enrolled.¹⁰

Michigan’s charter school statute, Public Act 362 of 1993, was signed into law in January 1994 by John Engler.¹¹ The law termed charter schools as *public school academies (PSAs)*. A Public School Academy is defined as a “state-supported public school under the state constitution, operating under a charter contract issued by a public authorizing body.”¹² The following are included as authorizing bodies under the statute: state public universities, community colleges, K-12 local education agencies (traditional school districts), intermediate school districts (ISD), or “[t]wo or more of these public agencies exercising power, privilege, or authority jointly pursuant to an interlocal agreement.”¹³ Authorizers are responsible for overseeing charter schools and have the power to revoke the charter if: the school fails to demonstrate improved academic achievement or meet goals set in the contract; fails to comply with applicable laws; fails to maintain public sector accounting principles or sound fiscal stewardship.¹⁴ In addition, as fiscal agents for PSAs, authorizing bodies may retain up to three percent of the state school aid payment.¹⁵ PSAs are governed by school boards. The school board members, however, are not democratically or locally elected. Instead, they are appointed by the school’s authorizer.¹⁶

Parental Choice

Proposal A also enacted “schools of choice,” enabling students to attend another district’s schools, even if he or she does not reside in the district.¹⁷ In tandem with the introduction of charter schools and adoption of schools of choice, per-pupil funding was intended to “make schools more responsive to student needs and parent expectations” since parents can threaten schools with *exit*.¹⁸ Competing for students on the basis of parental satisfaction is one of the critical ways to create competition between schools since a significant portion of school funding is dependent on the number of pupils enrolled.

⁹ *Ibid.*, 66.

¹⁰ David Arsen, David Plank, and Gary Sykes, “School Choice Policies in Michigan: The Rules Matter,” *ERIC Clearinghouse*, Vol. 1, (1999): 10, doi:10.1017/CBO9781107415324.004.

¹¹ Andrew Lockwood, “School Finance Reform in Michigan, Proposal A: Retrospective,” (2012), 134, https://www.michigan.gov/documents/propa_3172_7.pdf.

¹² Michigan Department of Education, “Michigan Charter Schools - Questions and Answers,” 2016, http://www.michigan.gov/documents/PSAQA_54517_7.pdf.

For the most part, I use the Michigan charter school term, “Public School Academies (PSAs),” to discuss charter schools in Michigan and Detroit during my analysis. However, PSAs and charter schools can be used interchangeably.

¹³ *Ibid.*

¹⁴ *Ibid.*

¹⁵ *Ibid.*

¹⁶ Miron and Nelson, *What’s Public About Charter Schools?* 33.

¹⁷ Lockwood, “School Finance Reform in Michigan,” 36.

¹⁸ *Ibid.*

Yet, not all districts in Michigan participate in schools of choice, creating a statewide market with restricted choices in some areas. Under the current schools of choice program, local districts have the power to decide whether to allow students from other districts in the same intermediate school district (ISD).¹⁹ Despite the incentive of the extra per-pupil funding that may be gained, some high-performing districts are able to opt-out of school choice. The Mackinac Center for Public Policy reports that “many of the districts that have barred or severely limited schools of choice, including the Grosse Pointe, Birmingham, Bloomfield Hills, Rochester and Freeland districts, are near academically struggling districts – the Detroit, Pontiac and Saginaw districts, respectively.”²⁰ Grosse Pointe schools – a white, wealthy district only six miles east of downtown Detroit – has opted out of schools of choice since the legislation was passed.²¹ Grosse Pointe has vigorously fought against participating in schools of choice, going as far as paying private investigators about \$8,000 a year to ensure students who do not live outside the district attend their schools.²² This goes to show that the monetary incentives of bringing in extra per-pupil funding does not always overcome barriers of race and class and, in the case of Grosse Pointe schools, has resulted in spending large amounts of money to keep disadvantaged students out.

Competition

Charter school proponents argue that creating a competitive educational marketplace – where schools compete for students and the funding that follows them – will force schools to improve. It is theorized that low-performing schools will be pushed out of the market and high-performing, efficiently-run schools will remain in business. Proposal A played a crucial role in imitating the competitiveness of markets in school funding because the amount of state revenue received by each district is a product of the state “per-pupil foundation allowance” and the number of pupils enrolled.²³ Accordingly, both PSA and TPS districts must compete to enroll a sufficient number of students to remain in operation.²⁴ A report on the distribution of state aid under Proposal A by the Citizens Research Council of Michigan found that “[i]n the short-run, the marginal costs of losing a student are far greater than the average cost of educating the student. This can place a strain on local budgets because annual enrollment losses generally

¹⁹ Ibid.

²⁰ Audrey Spalding, “The Public School Market in Michigan: An Analysis of Schools of Choice,” The Mackinac Center’s Education Policy Initiative (Midland, MI, 2013): 5, <https://www.mackinac.org/archives/2013/s2013-11.pdf>.

²¹ Nancy Derringer, “Fortress Grosse Point: In World of School Choice, Community Says ‘Stay Out,’” *Bridge Magazine*, 2013, <http://www.bridgemi.com/talent-education/fortress-grosse-pointe-world-school-choice-community-says-stay-out>.

²² Chastity Pratt Dawsey and Mike Wilkinson, “School Choice, Metro Detroit’s New White Flight,” *Michigan Radio*, September 13, 2016, <http://michiganradio.org/post/school-choice-metro-detroit-s-new-white-flight>.

Derringer, “Fortress Grosse Point.”

²³ Peter J. Hammer, “The Fate of the Detroit Public Schools: Governance, Finance and Competition,” *Journal of Law in Society* 12, no. 1 (2011): 127, <http://heinonline.org/HOL/Page?handle=hein.journals/jls13&collection=journals&id=113>.

²⁴ Miron and Nelson, *What’s Public About Charter Schools?* 44.

cannot be translated in immediate cost reductions that match the per-pupil funding loss”²⁵ Peter J. Hammer argues that this funding formula creates “winner-takes-all incentives” because school districts losing students are penalized to a greater extent than districts gaining students.²⁶ In turn, this creates a “fixed-cost-trap” for districts with declining revenues (due to enrollment decline) where the “reduction in operating revenue (the entire value of the foundation allowance associated with that student) is greater than the district’s ability to reduce its fixed costs.”²⁷ In other words, districts facing significant enrollment decline are heavily impacted by Proposal A, creating an immensely competitive market in some areas.

Yet, competition is more complex than student enrollment and funding. Analysis of the effects of competition is incomplete without understanding the historical and social context in which competition occurs. In his assessment of the governance, finance, and competition in Detroit’s schools, Hammer notes “there is nothing magical about competition.”²⁸ Instead, the results of competition are contingent upon “the historical context in which competition takes place, the status of the complementary social institutions supporting the market and the incentives that drive the system.”²⁹ Thus, these are the factors that must be accounted for when analyzing the results of competition in Detroit and formulating future policies to address the market’s shortcomings. Engler’s charter school policy, alongside Proposal A, was successful in creating a highly competitive market and creating a plethora of choices, although the impacts of competition and the quality of choices need to be analyzed.

The Profit-Incentive

While PSAs are organized as “nonprofit corporations” under the Michigan Nonprofit Corporation Act, there are no restrictions on contracting with *for-profit* education management organizations (EMOs) to operate the entire school.³⁰ Recall that some charter advocates argued for the creation of an industry of for-profit management companies to incentivize schools to produce better results with fewer resources. A report profiling for-profit and non-profit EMOs for the 2011-2012 school year found that 79 percent of Michigan’s charter schools were run by for-profit EMOs, making Michigan the state with the largest proportion of for-profit EMOs in the nation.³¹ It’s safe to say that the for-profit charter school industry has boomed in Michigan. The high percentage of for-profit EMOs may be a function of a financial barrier created by the charter law. At the time the law was passed, charter schools had to lease or acquire and renovate

²⁵ Citizens Research Council of Michigan (CRC), “Report 371: Distribution of State Aid to Michigan’s Schools,” (2011): 31-43, <http://www.cremich.org/PUBLICAT/2010s/2011/rpt371.pdf>.

²⁶ Hammer, “The Fate of the Detroit Public Schools,” 140.

²⁷ *Ibid.*

²⁸ *Ibid.*, 113.

²⁹ *Ibid.*

³⁰ *Ibid.*, 122.

Miron and Nelson, *What’s Public About Charter Schools?* 174.

³¹ Gary Miron and Charisse Gulosino, “Profiles of For-Profit and Nonprofit Education Management Organizations: Fourteenth Edition 2011-2012,” (Boulder, CO: National Education Policy Center, 2013): ii, <http://nepc.colorado.edu/publication/EMO-profiles-11-12>.

buildings using their operating revenue.³² Typically, EMOs have access to private equity to cover these costs, while these costs pose a financial barrier for many independent and local groups.³³ Additionally, there are no limits imposed on the number of schools EMOs can manage which, in turn, allows them to “pursue cost reductions – and ultimately profits – through opening large numbers of schools.”³⁴ In 2015, Bruce Baker and Gary Miron examined the ways in which “charter school policy functions to promote privatization and profiteering.”³⁵ Some of their findings included: a significant share of public expenditure is being extracted for personal or business financial gain; the transfer of public assets to private individuals and organizations; education organizations charging “lucrative management fees and rent extraction.”³⁶

The high presence of EMOs in Michigan’s charter school sector raises questions about whether charters are adhering to original notions of “site-based management” essential to the charter concept.³⁷ Many EMOs own the instructional models and used in charter schools and employ the teachers, who are not employees of the charter school, but private employees of the EMO.³⁸ For instance, one of Michigan’s largest EMOs, National Heritage Academies, owns most of the school buildings and its contents – desks, computers, books, and supplies. This “private property” owned by NHA may have been bought with taxpayer money.³⁹ NHA takes 95 percent of the school state aid payment as its “fee,” keeping the remainder as profit.⁴⁰ As Jennifer Dixon of the *Detroit Free Press* points out, this practice raises serious concerns about the independence of charter school boards – if unhappy with NHA’s services, the school may have very little leverage to remove them because doing so could result in losing the school’s property and assets.⁴¹

While charter school boards are legally required to maintain independence from EMOs and are responsible for overseeing their school’s finances, one charter school board was “functionally dependent on the management company to sustain the [school].”⁴² In some instances, information regarding school budgets was withheld from board members and board

³² Michael F. Addonizio and C. Philip Kearney, “Charter Schools,” in *Education Reform and the Limits of Policy: Lessons from Michigan* (Kalamazoo, MI: W.E. Upjohn Institute, 2012), 136, <https://muse.jhu.edu/book/23040>.

³³ *Ibid.*, 136.

³⁴ Miron and Nelson, *What’s Public About Charter Schools?* 174.

³⁵ Bruce Baker and Gary Miron, “The Business of Charter Schooling: Understanding the Policies That Charter Operators Use for Financial Benefit” (Boulder, CO, 2015), 1, <http://nepc.colorado.edu/publication/charter-revenue>.

³⁶ *Ibid.*

³⁷ Miron and Nelson, *What’s Public About Charter Schools? Lessons Learned About Choice and Accountability.*, 196.

³⁸ *Ibid.* 179-183

³⁹ Jennifer Dixon, “Public Money for Schools Buys Private Property,” *Detroit Free Press*, December 14, 2014, <http://www.freep.com/story/news/local/michigan/2014/12/14/charters-national-heritage-academies-tax-dollars-school-contents/20357559/>.

⁴⁰ *Ibid.*

⁴¹ *Ibid.*

⁴² Jennifer Dixon, “Charter School Board Members Found Themselves Powerless,” *Detroit Free Press*, June 24, 2014, <http://www.freep.com/story/news/local/michigan/2014/06/24/charter-school-board-members-found-themselves-powerless/77199898/>

members have been threatened with removal by authorizer for challenging the EMO.⁴³ Thus, it appears that for-profit EMOs are able to assume almost-full control of charter schools. Michael F. Addonizio and C. Philip Kearney criticize the charter movement in Michigan, which is dominated by EMOs instead of the autonomous “teacher-led centers of innovation envisioned by the intellectual founders of the charter movement.”⁴⁴ Further, they argue, the dominance of EMO-run schools with their “prepackaged curricula, policies, and procedures” does not align with the charter ideal of autonomous schools “free[d] from the bureaucratic burdens of traditional schools.”⁴⁵ On the one hand, some charter school advocates pushed for the creation of a for-profit industry educational management organizations motivated by profits. But, on the other hand, the original idea for charter schools had nothing to do with markets or profit-seeking.⁴⁶ Instead, many advocates envisioned autonomous, community-based, teacher-led schools. Michigan’s charter school law tends towards the former, rather than the latter.

Deregulation

One way in which charter schools in Michigan are less autonomous than envisioned by charter school advocates is that PSAs are subject to all the laws and rules applicable to traditional public schools (TPSs), except for unionization laws.⁴⁷ PSAs must assess their students annually and administer state assessments.⁴⁸ In this regard, Michigan’s statute gives charter schools less flexibility and autonomy in terms of academic standards than the schools proposed by some charter advocates.⁴⁹ Yet, without testing of some sort, it would prove difficult to test the purported effectiveness of newly-formed charter schools. Nonetheless, charter schools are offered a great amount of fiscal autonomy.⁵⁰ By law, charter schools are regarded as their own school districts and, thus, bear the same responsibilities as other local education authorities.⁵¹ They may purchase and own buildings and properties and are exempt from taxation on their earnings.⁵² Michigan’s law is extremely permissive in that the State of Michigan offers no guidelines for screening charter school applicants, thereby allowing *anyone* to apply and open a charter school, and in providing multiple avenues through which applicants can acquire charters.⁵³

⁴³ Ibid.

⁴⁴ Addonizio and Kearney, “Charter Schools,” 156.

⁴⁵ Ibid., 156-160.

⁴⁶ See Chapter I for a discussion of non-market based charter schools.

⁴⁷ “In December 2011, Public Act 277 removed the requirement that school districts authorizing a PSA must cover PSA staff under that district’s collective bargaining agreements”(Michigan Department of Education, “Michigan Charter Schools - Questions and Answers”).

⁴⁸ Ibid.

⁴⁹ Addonizio and Kearney, “Charter Schools” 134.

⁵⁰ Miron and Nelson, *What’s Public About Charter Schools?* 30.

⁵¹ Ibid., 30.

⁵² Ibid.

⁵³ Ibid., 33.

Jennifer Dixon, “Michigan Spends \$1B on Charter Schools but Fails to Hold Them Accountable,” *Detroit Free Press*, August 24, 2016, <http://www.freep.com/story/news/local/michigan/2014/06/22/michigan-spends-1b-on-charter-schools-but-fails-to-hold/77155074/>

Accountability and Oversight

As discussed in Chapter I, there are two different ways charter schools can be held accountable for student performance and school quality. At minimum, charters are supposed to be held to the goals and standards set forth in their charter (i.e., contract) issued by their authorizer.⁵⁴ Since charter schools are given greater autonomy – and, in Michigan, a high degree of deregulation – it is expected that they adhere to these goals and standards; this is what Gary Miron and Christopher Nelson call the “autonomy-accountability bargain.”⁵⁵ Another way by which charters are to be held accountable is via parental choice and per-pupil funding. The market based-theory of charters holds that *parents* will hold schools accountable because they have the *choice* to leave and will take their student’s per-pupil funding with them if they do.⁵⁶

Many have charged that Michigan’s charter school law includes no mechanisms for proper oversight and accountability.⁵⁷ Evidence suggests there is a major failure in oversight by authorizers, the bodies legally responsible for the overseeing the performance, fiscal stewardship, and legal compliance of the charter schools they authorize. While authorizers play a big role in Michigan’s charter system, the law lacks minimum standards for authorizers as well as procedures for closure in the case the schools they authorize start failing academically.⁵⁸ If authorizers fail to hold their schools accountable, neither the governor nor the superintendent can revoke a low-performing authorizer’s authority to grant charters.⁵⁹ While the law allows the state superintendent to stop an authorizer from opening new schools, the authorizer’s authority for existing schools remains, and *existing* schools may open new “campuses.”⁶⁰ As a result, when it comes to school closings, traditional public school districts and PSAs face very different standards. While the state has exercised great power in closing schools and taking over entire school districts, it lacks this authority over charter school authorizers, despite reports indicating low-performance and fraud.⁶¹

⁵⁴ Goenner, “The Origination of Michigan’s Charter School Policy,” 40.

⁵⁵ Miron and Nelson, *What’s Public About Charter Schools?* 30.

⁵⁶ Goenner, “The Origination of Michigan’s Charter School Policy,” 40.

Miron and Nelson, *What’s Public About Charter Schools?* 29.

⁵⁷ *Ibid.*

Lori Higgins, “Michigan Charter Law Gets Failing Grade,” *Detroit Free Press*, December 4, 2014, <http://www.freep.com/story/news/local/michigan/2014/12/04/charter-school-michigan-authorizer-academics-accountability-report/19867297/>.

Addonizio and Kearney, “Charter Schools,” 157.

Robin Lake, Ashley Jochim, and Michael DeArmond, “Fixing Detroit’s Broken School System: Improve Accountability and Oversight for District and Charter Schools,” *Education Next*, 2015, <http://educationnext.org/fixing-detroits-broken-school-system/>.

⁵⁸ Dixon, “Michigan Spends \$1B on Charter Schools but Fails to Hold Them Accountable.”

⁵⁹ Joy and Arellano, “Accountability for All: 2016,” 7.

The MDE has directed the closure of two Detroit PSAs. Michigan Department of Education, “Closed Public School Academies, Last Updated 9/30/16,” 2016, https://www.michigan.gov/documents/mde/Closed_PSA_with_reason_2012.08_396310_7.pdf

⁶⁰ Dixon, “Michigan Spends \$1B on Charter Schools but Fails to Hold Them Accountable.”

⁶¹ In 1999, Governor John Engler took control of Detroit Public Schools (DPS) with Public Act 10, suspending the school board and its superintendent. In 2009, Governor Jennifer Granholm appointed Robert Bobb as the emergency manager of DPS. In 2011, Detroit’s emergency manager, Roy Roberts,

Transparency in public institutions is an important part of oversight and accountability. There is mounting evidence that for-profit EMOs managing charters have not been financially transparent. Early studies done by Miron and Nelson, found that when newspapers across the state of Michigan used the Freedom of Information Act (FOIA) to request information on how public dollars were spent in charter schools and traditional schools, 53 percent of charter schools refused to provide the information or provided only partial information.⁶² He adds that many private EMOs argued they did not have to disclose information on how the money was being spent.⁶³ In an article published in August 2016, similar concerns were voiced; Jennifer Dixon of the *Detroit Free Press* reported that “a record number of charter schools run by for-profit companies that rake in taxpayer money and refuse to detail how they spend it [claim that they’re] private and not subject to disclosure laws.”⁶⁴ Dixon claims that the lack of financial transparency by for-profit EMOs is problematic because EMOs that run most or all of charter schools receive most of the public money the schools receive. Further, she adds, looking at the broad categories for how money is spent by EMOs does not indicate how money is spent on executive salaries and compensation or vendor payments.

This failure in proper oversight has led to self-dealing, conflicts of interest, and fraud in charter schools and raises serious doubts about how charter schools are accountable to the public. While having a relationship with or ownership interest in the school’s EMO is barred by law, there is a loophole that allows EMOs to hire friends of board members and school founders.⁶⁵ A federal audit from the Office of Inspector General in the U.S. Department of Education concluded that “these cozy relationships are creating potential conflicts of interest, transaction between related parties that could result in self-dealing, and insufficient segregation of duties between the schools and their management companies.”⁶⁶ Yet, the state provides no penalties for authorizers that fail to ensure appointed board members are independent of the EMO providing services for the schools.⁶⁷ The lack of transparency and accountability raises serious questions as to whether charter schools run entirely by private, for-profit EMOs are *public* institutions since they are not subject to adequate public oversight. Gary Miron, a professor of educational leadership, research, and technology, charges that charter schools in Michigan have become “a private system of education without public oversight.”⁶⁸

transferred fifteen DPS schools to a new recovery school district controlled by the state, the Education Achievement Authority (EAA).

⁶² Miron and Nelson, *What’s Public About Charter Schools?* 185.

⁶³ *Ibid.*

⁶⁴ Dixon, “Michigan Spends \$1B on Charter Schools but Fails to Hold Them Accountable.”

⁶⁵ *Ibid.*

⁶⁶ Lori Higgins, “Cozy Charter-School Tie-Ups Bring Risk of Fraud, Federal Audit Finds,” *Detroit Free Press*, October 12, 2016, <http://www.freep.com/story/news/local/michigan/2014/12/04/charter-school-michigan-authorizer-academics-accountability-report/19867297/>.

⁶⁷ Dixon, “Charter School Board Members Found Themselves Powerless.”

⁶⁸ Higgins, “Cozy Charter-School Tie-Ups Bring Risk of Fraud, Federal Audit Finds.”

The Market in Detroit

Michigan's charter school policy alongside Proposal A aimed to bring competition into public school systems, especially those with low-performing schools. Charter schools have expanded most rapidly in Detroit. Twenty years later, there is no shortage of competition. The education market is often described as "hypercompetitive," as a place where charter schools and the traditional public schools, Detroit Public Schools (DPS), are being "cannibalized" in competition for students (and funding).⁶⁹ Paradoxically, competition in public spaces is not a new phenomenon in Detroit.⁷⁰ According to Hammer, over the past sixty years, competition in public spaces has furthered existing economic and racial inequality in Southeast Michigan.⁷¹ Hence, the present and historical context of racial and economic segregation in Detroit must be understood when analyzing the effects of a highly-competitive education market.

Detroit's Historical Context

Today, Detroit is both one of the most racially *and* economically segregated regions in the nation. Hammer contends that the combination of racial and economic segregation is no accident.⁷² Alongside deindustrialization, there is a long history of discrimination in housing and employment. With deindustrialization and the end of assembly-line based work Detroit lost 90,000 jobs between 1954 and 1960.⁷³ Since the 1950s, Detroit's tax and population bases have declined.⁷⁴ During this time, the city experienced mass White-migration out of the city while many African Americans were unable to migrate out of the city due to discriminatory housing practices.⁷⁵

The traditional public school system, Detroit Public Schools (DPS), did not remain unscathed by these changes in the local economy and racial demographic.⁷⁶ According to a history of DPS governance by Leanne Kang, the financial management of DPS was heavily affected by the fiscal crises of the city beginning in the post-World War II period. From 1950 to 2000, DPS has faced financial crises and academic decline.⁷⁷ Amid these crises:

the notion grew that a corrupt and inept school board was responsible for DPS's fiscal crisis continued to grow among the public. Yet, the reality was that the school board was managing the finances of one of the largest urban districts in the U.S. under relatively unstable conditions including rapid population decline and

⁶⁹ Robin Lake, Ashley Jochim, and Michael DeArmond, "Fixing Detroit's Broken School System: Improve Accountability and Oversight for District and Charter Schools," *Education Next*, 2015, 22, <http://educationnext.org/fixing-detroits-broken-school-system/>.

Zernike, "A Sea of Charter Schools in Detroit Leaves Students Adrift."

⁷⁰ Hammer, "The Fate of the Detroit Public Schools," 113.

⁷¹ *Ibid.*

⁷² *Ibid.*, 119.

⁷³ Leanne Kang, "The Dismantling of an Urban School System," 100.

⁷⁴ Hammer, "The Fate of the Detroit Public Schools," 119

⁷⁵ Kang, "The Dismantling of an Urban School System," 100.

⁷⁶ *Ibid.*, 102.

⁷⁷ *Ibid.*, 104.

the unpredictability of state aid given the rise and fall of the economy⁷⁸

Today, the performance of both Detroit Public Schools and Detroit charter schools is well below students statewide and nationwide.⁷⁹ Detroit is still very segregated: in 2010 Detroit's child population was 81.9 percent African American, 9.7 percent Hispanic, and 4.4 percent White.⁸⁰ In addition, many children live in poverty: in 2011 57.3 percent of children lived below the poverty line.⁸¹ It's evident and obvious that Detroit's students receive an inferior education to students nationwide and statewide. To this day, education in Detroit remains separate and unequal.

The Actors: Who's in Charge?

Recall that market-based education advocates call for a complete reorganization and restructuring in order to decentralize the ways schools are provided, governed, and funded. As described in Chapter II, Friedman as well as Chubb and Moe ardently supported removing a central, democratically-elected body to oversee the management of schools. Instead, they argued that vesting this authority in a marketplace of schools – in which decision-making is dispersed among individual school suppliers and parents – would solve the ills of America's schools; as Chubb and Moe famously claimed: “choice is a panacea.”⁸² In essence, the education market is another way of allocating limited resources, namely school funding, among multiple school providers and relying on the actions of uncoordinated schools to work out issues of enrollment, transportation, and school openings and closings.

In Detroit, many of these structural changes have been achieved via Michigan's charter school policy, Proposal A, and the subsequent influx of charter schools. Yet, Detroit's market is extremely complex, which is why the different actors – or school suppliers – must be examined. What is clear, nonetheless, is that the decision-making and allocation of students and schools is incredibly fragmented.⁸³ In fact, there are twelve different school “systems” providing and governing schools in Detroit.⁸⁴ As of 2014, these systems include: the state controlled Education Achievement Authority (EAA), the Wayne Regional Education Service Agency (RESA), Detroit Public Schools (DPS), eight state-supported universities, and a community college.⁸⁵ Figure 1 shows the different actors involved in education in Detroit and the types of schools they oversee; this includes traditional public schools (i.e., district schools) and PSAs. As aforementioned, public universities and community colleges, Intermediate School Districts (ISDs), and Local Education Agencies (LEAs, i.e., school districts) may charter PSAs.

⁷⁸ Ibid., 102.

⁷⁹ Lester Graham, “A Moment in History That Sealed the Detroit Schools' Fate,” *Michigan Radio*, 2016, <http://michiganradio.org/post/moment-history-sealed-detroit-schools-fate>.

⁸⁰ Data Driven Detroit, “State of the Detroit Child,” (2012): 4, http://www.bridgemi.com/wp-content/uploads/2013/01/D3_2012_SDCReport_REVISED.pdf.

⁸¹ Ibid.

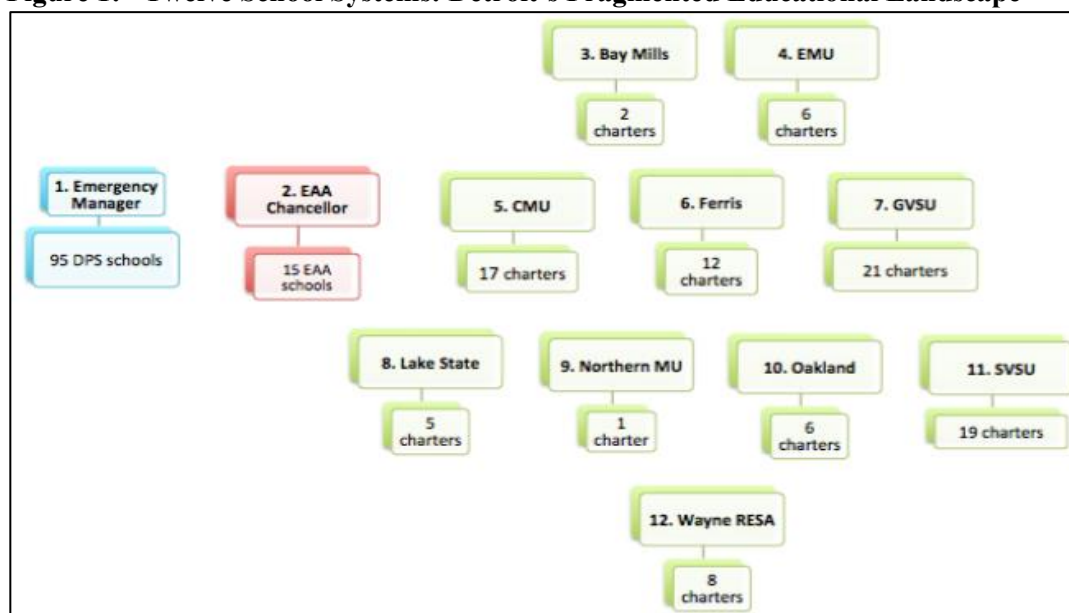
⁸² John E. Chubb and Moe M. Terry, “America's Public Schools: Choice Is a Panacea,” *The Brookings Review* 8, no. 3 (1990): 4–12, <https://www.jstor.org/stable/20080159>.

⁸³ Kang, “The Dismantling of an Urban School System,” 92.

⁸⁴ Ibid.

⁸⁵ Ibid.

Figure 1: “Twelve School Systems: Detroit’s Fragmented Educational Landscape”⁸⁶



Source: Leanne Kang, “The Dismantling of an Urban School System: Detroit, 1980-2014” (PhD diss., University of Michigan, 2015): 92.

Public School Academies in Detroit

There are twelve different authorizers overseeing Detroit’s PSAs. Some of these authorizers are located very far from Detroit. Indeed, Northern Michigan University and Bay Mills Community College, are located almost 450 miles away from Detroit. PSAs have seen steady growth in enrollment from 2002 to 2013. Figure 2 shows the market share of different school providers, including DPS, the EAA, PSAs in Detroit, PSAs outside of Detroit, and students attending other traditional public schools (TPSs) through inter-district choice. Market share is the percent of Detroit’s student population enrolled at a certain education provider. Enrollment in charter schools has increased by almost 20,000 students from 2002 to 2013, a 21.5 percent increase in market share.

The Market Outside Detroit

In addition to PSAs outside of Detroit, Detroit’s students may attend schools in districts outside of Detroit through inter-district choice.⁸⁷ Analysis of Detroit’s education market will primarily focus on the actors inside Detroit – DPS, PSAs, and the EAA – although, as shown in Figure 2, a significant portion of Detroit’s students attend TPSs and PSAs outside of the city. Over time, the market share of public schools outside of Detroit increases from 7.44 percent (14,627 students) in 2002 to 22.06 percent (26,396 students) in 2014. This suggests many Detroit resident students are leaving Detroit’s education market for choices outside the city – although, these schools may not be accessible to all students, especially those without a car.

⁸⁶ Ibid.

⁸⁷ Hammer, “The Fate of the Detroit Public Schools,” 123.

The Traditional Public Schools: Detroit Public Schools

Traditional Public Schools (TPSs) are usually governed by a superintendent and a democratically-elected school board who make decisions regarding provision and funding of schools.⁸⁸ Detroit Public Schools (DPS), however, cannot be considered representative of local, democratic control of schools. Instead, the state government has heavily interfered with education in Detroit in the last seventeen years. The period of analysis, 2002 to 2014 overlaps with important state-induced reforms in Detroit that occurred between 1999 and 2014. In her history of DPS, Leanne Kang identifies five reforms that contributed to the destruction of traditional governance and local control, charter schools being one of them: Proposal A (1994), Michigan's charter school law (1994), mayoral takeover (1999-2005), emergency management (2009), and the Education Achievement Authority.⁸⁹

From 1999-2005, Governor Engler took control of DPS. During this period, DPS's fiscal crisis worsened; with thousands of students leaving the district, \$225 million was lost in state funding.⁹⁰ In 2005, the democratically elected school board returned, but only for four years. In 2009, Governor Jennifer Granholm declared a financial emergency in Detroit and installed the first emergency financial manager of DPS.⁹¹ In 2011, the emergency manager was given *full* academic authority over the district with the signing of Public Act 4 by Governor Rick Snyder.⁹² Over the period of interest, democratic control of schools – the alleged culprit of school failure, according to Chubb and Moe – did not exist in Detroit, for the most part.

The Education Achievement Authority (EAA)

In 2011, Detroit's emergency manager created the Education Achievement Authority (EAA) and transferred fifteen DPS schools into this "recovery district."⁹³ The EAA was a state-controlled school district and not subject to public control.⁹⁴ As Hammer describes, the EAA is the "most extreme example of centralized state control."⁹⁵

⁸⁸ Kang, "The Dismantling of an Urban School System," 9-10.

⁸⁹ *Ibid.*, 65.

⁹⁰ *Ibid.*, 74.

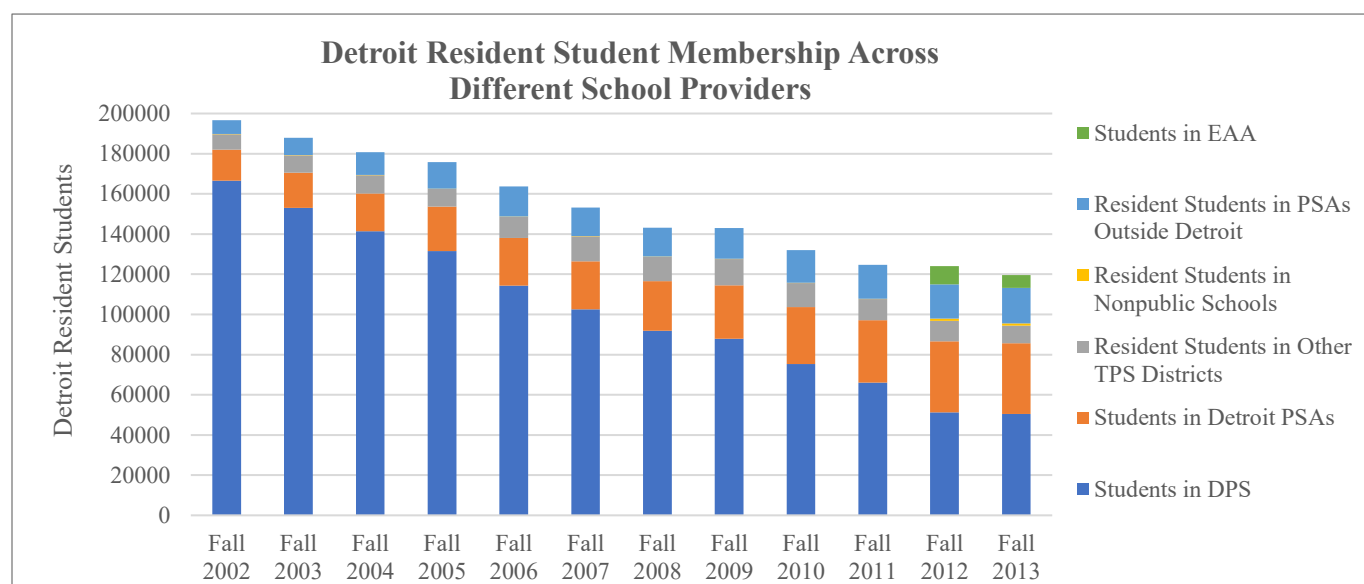
⁹¹ *Ibid.*, 76.

⁹² *Ibid.*, 80.

⁹³ *Ibid.*, 91.

⁹⁴ *Ibid.*

⁹⁵ Hammer, "The Fate of the Detroit Public Schools," 121.

Figure 2: Market Share of Detroit Students Across Different School Providers

The Challenge: Increase Enrollment Despite Population Decline

Conditions in Detroit add another element of complexity to the decentralized school system. As depicted in Figure 1, the number of students living in Detroit significantly decreases over time; this also means that the amount of per-pupil aid that can be dispersed among schools also decreases. Subsequently, all school providers are competing for a smaller and smaller student population over time. This is part of a larger trend in Detroit's population decline. About 300,000 people left Detroit between 2000 and 2014.⁹⁶ Amidst the declining birth rates, out-migration from the city and state, and increased school competition, all schools face significant challenges operating in this environment.⁹⁷

⁹⁶ Darnell Earley, "10-Point Management Plan Addendum A: Detroit School Supply, School Closures and Openings," February 10, 2015, http://detroitk12.org/data/finance/docs/2015.03.03_DPS_10-Point_Management_Plan_Addendum_A_Attachments.pdf.

⁹⁷ Hammer, "The Fate of the Detroit Public Schools," 128.

CHAPTER V: Examining the Evidence: The Results of Marketization in Detroit

Lessons From New Orleans' Educational Marketplace

Market-based education policies have been enacted both in the U.S. and internationally. The United Kingdom, New Zealand, and Chile, to name a few, have experimented with market-based education reforms. In the U.S., some states have experimented with voucher programs, allowing students to use vouchers to attend private schools. More recently, the charter school movement has taken root in some states across the United States; in fact, charter schools educate more than 2.9 million students nationwide.¹ New Orleans, LA holds the highest enrollment share of charter school students in the nation, with Detroit second in line. Other cities with high enrollment shares include Flint, MI, the District of Columbia, and Kansas City.² Charter school laws, however, vary state by state and, consequently, have produced different results. Here, I highlight some of the results from New Orleans' experiment with charter schools.

In the United States, charter schools, alongside other market-oriented reforms, have been implemented in struggling urban school districts. New Orleans ranked first in the nation in highest charter school enrollment share for 2014-15.³ In their study of New Orleans' charter experiment, Frank Adamson et al. describe the education system as a “nearly 100% charter, market-based system of schools where school autonomy, parent choice, and high-stakes accountability coincide.”⁴ Louisiana's system is more structured than Detroit's, but remains highly complex insofar as there are multiple superintendents, boards of education, and approaches to school policies, resulting in forty-four separate governing bodies.⁵ There are two different districts: one is the Orleans Parish School Board (OPSB), which oversees thirteen charter schools and five district-run schools; the other is the Recovery School District (RSD), a state-run district, which oversees fifty-seven charter schools.⁶ The RSD was created to control failing schools and served as the model for Michigan's Education Achievement Authority (EAA) – a state-run district that took over fifteen DPS schools.⁷ Schools in New Orleans are subject to an intense accountability system based on school performance.⁸ The state Department of Education gives all schools an annual School Performance Score and a grade (*A-F*) to provide information about school quality. This score is used to “evaluate, rank, reward, and sanction the public schools.”⁹ Louisiana's method of dealing with “failing” schools is to close them.

¹ “A Growing Movement: America's Largest Charter School Communities, Tenth Annual Edition,” (Washington D.C.: National Alliance for Public Charter Schools, 2015), 2, <http://www.publiccharters.org/publications/enrollment-share-10/>.

² *Ibid.*, 3.

³ *Ibid.*

⁴ Frank Adamson, Channa Cook-Harvey, and Linda Darling-Hammond, “Whose Choice? Student Experiences and Outcomes in the New Orleans School Marketplace” (Stanford, CA, 2015): 54, <https://edpolicy.stanford.edu/sites/default/files/publications/scope-report-student-experiences-new-orleans.pdf>.

⁵ *Ibid.*, 1-3.

⁶ *Ibid.*, 2.

⁷ Leanne Kang, “The Dismantling of an Urban School System: Detroit, 1980-2014” (PhD diss., University of Michigan, 2015), 134, <http://hdl.handle.net/2027.42/113328>.

⁸ Adamson, Cook-Harvey, and Darling-Hammond, “Whose Choice?” 35-37.

⁹ *Ibid.*, 35.

Ironically enough, the OPSB, which remains under the governance of a publicly elected school board, is one of the highest performing districts in the state.¹⁰ In contrast, RSD, which is controlled by the state and composed of fifty-seven charter schools, is one of the lowest-performing districts in the state. Stratification by race, class, and educational advantage across schools increased, with many at-risk students excluded from the most desirable schools.¹¹ Tier 1 schools – those ranked as the best in the city *and* the entire state – are primarily composed of white and Asian students. In fact, while 89 percent of white students and 73 percent of Asian students attend Tier 1 schools, only 23.5 percent of African American students have access to these schools.¹² This trend also tracks low income students who qualify for reduced lunches – with only 21.5 percent attending Tier 1 schools.¹³ In their analysis, Adamson et al. identify a key feature of New Orleans’ education market contributing to these disparate outcomes: selective enrollment policies that sustain these hierarchical inequities. As a result, many special education students, at-risk students, and African American students have been left behind by the market. In addition, the RSD lacks the capacity for oversight to ensure students are being fairly treated by charter schools in the education marketplace.¹⁴

It’s fair to say the experiment in New Orleans has proven disastrous for disadvantaged students in RSD, as Adamson et al. document. Fortunately, Michigan’s charter schools are prohibited from explicitly engaging in selective enrollment practices, although in Detroit – a place of widespread disadvantage and isolated segregation – the same hierarchical features may not exist on as large a scale as New Orleans. Unfortunately, Detroit and New Orleans share many important features, namely: a large number of school closings, high disruption, little oversight of charter school practices, the presence of a state-run school district with the power to take over schools, and high number of governing bodies in the marketplace.

Examining Three Features of Detroit’s Education Market

Ultimately, the most important question is whether Detroit’s fragmented, market-like structure of schools has provided equitable and accessible education for *all* students, regardless of their education provider. As discussed in Chapter I, education markets are a new way of allocating resources to provide educational opportunities. In chapter IV, the “rules” by which resources are allocated for the provision of education were described; notably, the structure of Detroit’s education market involves: parental choice, zero-sum competitive incentives for schools, built-in profit-incentives for management companies, high deregulation, a lack of oversight and accountability, and fragmentation of the decision-making process regarding school provision. Have these features worked to equitably distribute education, a good necessary for full-inclusion in a democratic society?

Key to answering this question is avoiding the debate of whether charter schools or public schools are better for students. All education suppliers in and around Detroit – TPSs, DPS,

¹⁰ Ibid., 43.

¹¹ Ibid., 46-47.

¹² Ibid., 9.

¹³ Ibid.

¹⁴ Ibid., 55.

PSAs, and the EAA – were placed into a competitive marketized environment. When a student exercises choice, she is effectively depriving the school left behind of funding; for this reason, the students who are left behind must be accounted for to evaluate the overall structure of opportunities in the market. If the education market works to disadvantage Detroit’s students, especially compared to students statewide, then it fails to provide sufficient educational opportunities enabling Detroit’s students to succeed as citizens.¹⁵

Research Method

Now that the “rules” of Detroit’s education market have been discussed, the outcomes produced by Michigan’s charter school law and Proposal A in Detroit will be discussed. Recall that proponents of market-based education policies argued that charter schools would: become centers of innovation; improve student outcomes (measured by standardized tests and/or parental satisfaction); and force all schools in the market – included TPSs – to use funds more efficiently. Has Detroit’s education market – one of intense competition and plentiful profit incentives – achieved these outcomes?

In order to tackle this question, three key features of Detroit’s education market will be discussed. Detroit’s education market is characterized by a constantly changing school supply due to school openings and closings, a high for-profit EMO industry presence, and high exit by both students and teachers. Special attention will be focused on how these features have been conducive to producing the results touted by charter school advocates. Research focusing on the last decade and a half – roughly 2002 to 2016 – will be discussed. In addition, the performance of Detroit’s students will be assessed using grade four reading proficiencies on the Michigan Educational Assessment Program (MEAP). Fortunately, the charter school market is not new; charter schools have expanded in Detroit over the past twenty years, allowing the market to mature.

Barriers to Informed Choice

The market theory dictates that competition is necessary for improvement. Allowing new schools to enter the market will force all schools to compete for their students. Assuming parents exit the “bad” schools and enroll their children in “good” schools, the “good” schools will stay in business, while the “bad” schools will close. Schools with high enrollment (i.e., more customers and per-pupil funding), are deemed successful. But, has this really happened in Detroit? Are the “bad” schools being weeded out by parental choice and the intense competition created by Proposal A? In reality, the dynamics in education markets are not this simple. Parents have heterogeneous – not homogenous – preferences and may take different school qualities and factors into account when deciding which school to attend.¹⁶ Given recent reforms the state places greater emphasis on test scores, but parents may not *only* seek schools with the highest test scores. Parents may make decisions based on a wide variety of criteria, including but not limited to: certain values, specific special education services, location, and performance or

¹⁵ This does not entail that educational opportunities must be provided equally.

¹⁶ Peter J. Hammer, “The Fate of the Detroit Public Schools: Governance, Finance and Competition,” *Journal of Law in Society* 12, no. 1 (2011): 145, <http://heinonline.org/HOL/Page?handle=hein.journals/jls13&collection=journals&id=113>.

ranking on standardized state tests. In addition, what really matters is that parents *perceive* schools to be good or bad. If parents perceive deterioration it is likely they will exit.¹⁷ Regardless of the criteria used by parents in exercising choice, this idea also hinges on *informed choice* and the availability of effective exit options. If parents cannot access preferred schools, “choice” is meaningless. These barriers to informed choice may be reflected in the significantly high mobility of Detroit’s students compared to students statewide.¹⁸ Since parents cannot detect school quality without enrolling their children, the cost of acquiring accurate information is high; if the school is not suitable for their child – due to bullying, school environment, discipline policies, etc. – the student loses months of education just to obtain this information; anecdotal evidence in the media demonstrates this is the reality for many parents.¹⁹

Given the highly decentralized and complex nature of Detroit’s education market, parents must navigate twelve uncoordinated school systems independently responsible for overseeing about fifty different school *districts*.²⁰ Between DPS, PSAs, and the EAA parents have plenty of options to choose from – what needs investigation is the quality of choices available. Choice for the sake of choice is useless if the *accessible* choices are poor-quality. Recall that a key assumption behind using competition for improvement is that parents have effective exit options; parents must be able to safely and reliably transport their child to another school.

In January 2014, the Center on Reinventing Public Education (CRPE) found that many Detroit parents have immense difficulty navigating the education marketplace and exercising choice for the following reasons: a lack of information, confusing paperwork, and transportation gaps.²¹ Location is an important factor in Detroit – a large city of 140 square miles with no reliable public transportation and where 26 percent of residents do not own a car.²² Moreover, some routes may be dangerous for children and teens to travel by foot, especially if passing by areas with high levels of crime and blight.²³ Since PSAs are not required to provide transportation, schools located far from students’ homes makes commuting burdensome or unfeasible for families. In fact, more than one third of Detroit PSAs do not provide transportation to students.²⁴ This factor may automatically sort PSA populations since almost a quarter or

¹⁷ Ibid., 141.

¹⁸ Liyang Mao and Landauer-Menchik, “Mobility in Detroit’s Charter Schools,” *Michigan State University* (2014),

http://www.michigan.gov/documents/mde/Student_Mobility_in_PsAs_January_21_2014_44576_77.pdf.

¹⁹ Zernike, “A Sea of Charter Schools in Detroit Leaves Students Adrift.”

Erin Einhorn, “The Extreme Sacrifice Detroit Parents Make to Access Better Schools,” *The Atlantic*, April 11, 2016, <https://www.theatlantic.com/education/archive/2016/04/the-extreme-sacrifice-detroit-parents-make-to-access-better-schools/477585/>.

Lake, Jochim, and DeArmond, “Fixing Detroit’s Broken School System: Improve Accountability and Oversight for District and Charter Schools.”

²⁰ In the 2013-14, there were fifty-four different school districts educating grade four students. While the exact number may vary by grade, the fact that many school districts operate in Detroit remains.

²¹ Robin Lake, Ashley Jochim, and Michael DeArmond, “Fixing Detroit’s Broken School System,” *Education Next*, (Winter 2015), 22-23, <http://educationnext.org/fixing-detroits-broken-school-system/>.

²² Lester Graham, “Detroiters in Poverty Face Nearly Insurmountable Obstacles,” *Bridge Magazine*, June 2016.

²³ Kristi Tanner, “How Far Do Kids Travel to Detroit’s Schools?,” *Detroit Free Press*, May 2015.

²⁴ Graham, “Detroiters in Poverty Face Nearly Insurmountable Obstacles.”

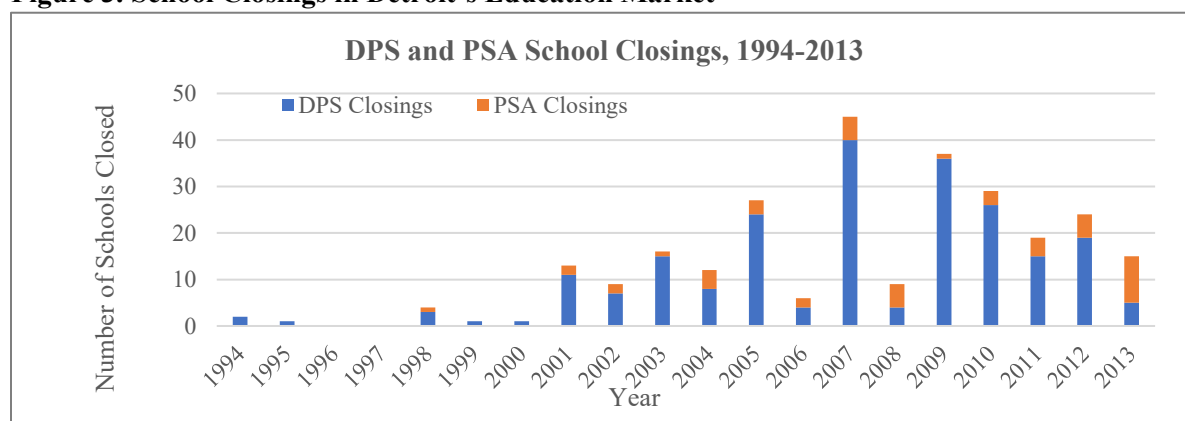
residents do not own a car. These factors have made it increasingly difficult for parents to find a good school for their children, especially for parents with little education and those who have children with special education needs.²⁵ The actual exit options available to Detroiters will be further discussed later.

Fluctuation in Supply: School Closings and Openings

School Closings

Fluctuation in the supply of schools is theorized to improve the education market overall. The number of schools opening and closing in Detroit has been in constant flux since the charter school law was passed in 1994. Indeed, a total of 281 schools have closed between DPS and PSAs since 1994.²⁶ Figure 3 shows the fluctuation in school openings and closings over a span of almost twenty years. In almost every year the number of DPS school closings outnumber PSA closings. DPS's enrollment losses and subsequent loss of each student's per-pupil funding has led to many school closures. In 2010, DPS reported that "[d]espite the closure of over 100 schools since 2004, there remain over 50,000 excess seats throughout the district."^{27,28} These school closings suggest that DPS has struggled to downsize amidst population decline and loss of market share to other education providers in the market.

Figure 3. School Closings in Detroit's Education Market²⁹



Competition is theorized to create fiscal pressures for schools with low enrollment. In DPS, intense competition and enrollment decline has forced the district to downsize due via

Matt Barnum, "Fact-Checking the DeVos Hearing: What the Data Shows About Michigan's Charter Schools," *T74*, January 17, 2017, <https://www.the74million.org/article/the-mixed-track-record-of-charter-schools-in-detroit-and-michigan>.

This is according to a survey of eighty-eight charter schools (several charter schools did not respond to the survey conducted by Excellent Schools Detroit).

²⁵ Lake, Jochim, and DeArmond, "Fixing Detroit's Broken School System," 23.

²⁶ See Appendix A, Table 3: School Openings and Closings in Detroit, 1994-2015.

²⁷ Office of the Emergency Financial Manager, "Master Facilities Plan 2010-2015" (Detroit Public Schools, 2010), http://detroitk12.org/admin/operations/bss/fm/docs/DPS_Facilities_Master_Plan.pdf.

²⁸ In the Master Facilities Plan 2010-2015, DPS does not provide any information on how the number of "seats" are calculated and whether this number takes special education students into account.

²⁹ See Appendix A, Table 3: School Openings and Closings in Detroit, 1994-2015 for data and source.

school closings, building closures, and program consolidations. Yet, the dynamics within DPS from 1999 to 2015 complicate the way in which DPS has competed with charters due to heavy state control. For instance, under the control of Emergency Manager Roy Roberts one school – Oakman Elementary – was closed even though its enrollment capacity was at 99.3 percent.³⁰ Wayne State Professor Thomas C. Pedroni discovered that the district was using unsubstantiated claims to justify closing the school, using incorrect building capacities and unproven claims about the facility condition.³¹ Oakman Elementary served 300 pre-K to grade five children, 40 percent of whom had special needs.³² The school provided services to special education students such as physical therapy, smaller class sizes, accessible entryways, and a wheelchair accessible playground.³³ Despite public outcry, the school was closed anyway and some parents struggled to find a suitable replacement.³⁴ In Oakman’s case, high enrollment, parental satisfaction, and democratic push-back played little-to-no role in decision to close the school. Nonetheless, it is unclear whether more cases like this one have occurred in the closings of other DPS schools under state control.

Whether school closings have improved Detroit’s market and brought about increased performance and efficient resource allocation remains without consensus. This is due to the fact that some DPS closings were necessary in order to downsize and cut costs with steeply declining revenues, but the actual process of closing schools has been terribly inefficient, costly, and may have driven some students out of DPS, forcing sharper cuts in revenue.³⁵ In New Orleans, Adamson et al. found that, as result of many school closings and exclusions, many high school students became “disconnected” youth – those unable to complete their education and provide ongoing education or employment. In Detroit, it is unknown whether students displaced by school closings became disconnected.³⁶ However, Beverly Rebel Finlayson, the manager of Student Accounting and Auditing at the Wayne County RESA found reported that “[w]e cannot determine where approximately 8,500 Detroit resident (students) are” as of January 2007, although many students were probably lost to PSAs outside the city or outside of the state.³⁷ Still, it remains unclear whether Detroit has any disconnected youth since this question has not been explored.

³⁰ Thomas C. Pedroni, “DPS Disregards Its Own Data, FOIA Law, and Special Education Rules in Rush to Close Beloved Community School,” *Detroit Data and Democracy*, 2013, <https://sites.google.com/site/detroitdataanddemocracyproject/oakman>.

³¹ Ibid.

³² Ibid.

³³ Ibid.

³⁴ Zak Rosen, “For Kids in Detroit, a Good School May Not Last,” *Michigan Radio*, June 30, 2015, <http://michiganradio.org/post/kids-detroit-good-school-may-not-last>.

³⁵ John Grover and Yvette van der Velde, “A School District in Crisis: Detroit’s Public Schools 1842-2015,” 2016, <https://makeloveland.com/reports/schools>.

³⁶ Adamson, Cook-Harvey, and Darling-Hammond, “Whose Choice?” 44-46.

³⁷ “DPS Enrollment Down by Thousands,” *Mackinac Center For Public Policy*, February 23, 2007, <https://www.mackinac.org/8237>.

PSA Openings, 1994-2014

Since the passage of Michigan’s charter school law in 1994, 158 charter schools have opened in Detroit.³⁸ Figure 4 shows the number of PSA districts opening from 1994 to 2013. From fall 2002 to fall 2013, an average of four charter schools opened per year. In the same period, PSA market share increased from 7.86 percent in to 29.39 percent. In January 2007, DPS reported an excess of 54,000 vacant seats or 642 vacant classrooms – a utilization of only 50 percent of the district’s capacity – despite closing thirty buildings since 2004.³⁹ Later, in 2015, DPS reported the same problem: an excess of 30,000 seats – a utilization of only 64 percent of capacity; again, this overcapacity remained despite the closure of 152 school more schools between 2007 and 2014.⁴⁰

Figure 4. Public School Academy (PSA) Openings



DPS’s market share has declined by 42.46 percent between 2002 and 2013.⁴¹ Given the exodus of residents out of Detroit, the decline in birthrates and school-age population, and the introduction of charter schools and schools of choice, this result is not surprising.⁴² It’s evident that DPS has struggled to downsize in the competitive and complex environment driven by competition for diminishing state funding (i.e., declining student population). Hammer contends that for DPS, especially, this dynamic exacerbates fiscal stress and is harmful to students who remain in DPS. He states that on top of the already-declining enrollment due to demographic trends, adding inter-district choice and charter competition is

akin to adding an accelerant to a fire. To begin with, school choice and competition increase the number of departing students, forcing sharper cuts in

³⁸ See Appendix A, Table 3: School Closings and Openings in Detroit, 1994-2015.

³⁹ Darell A. Rodgers, “Preliminary Facilities Realignment Plan for 2007 through 2009,” Chief of Facilities Maintenance and Auxiliary Services, *Detroit Public Schools* (January 5, 2007), 3, http://detroitk12.org/admin/operations/bss/fm/Preliminary_Facilities_Realignment_Plan.pdf.

⁴⁰ Darnell Earley, “10-Point Management Plan Addendum A: Detroit School Supply, School Closures and Openings,” Emergency Manager, *Detroit Public Schools* (February 10, 2015), 1, http://detroitk12.org/data/finance/docs/2015.03.03_DPS_10-Point_Management_Plan_Addendum_A_Attachments.pdf.

See Appendix A, Table 3: School Openings and Closings in Detroit, 1994-2015.

⁴¹ See Appendix A, Table 2: Market Share of Detroit Resident Students Across Different Education Provider, 2002-2013.

⁴² *Ibid.*

existing programs and facilities in the traditional public school. These cuts decrease the actual and perceived quality of traditional schools and negatively impact the education of those students who remain. This, in turn, leads more students to leave and future cuts to be even more severe in a self-reinforcing downward spiral. Conversely, the charter schools and schools of choice receive a bonus payment greater than the marginal cost associated with educating the new student and are, therefore, able to spend even more revenue in improving educational programs and services.⁴³

Schools inside the city are steadily losing students to schools located outside Detroit, meaning that the potential per-pupil revenue is no longer remaining inside Detroit's schools.⁴⁴ This indicates that some students are exiting Detroit's education altogether for options outside the city. Nevertheless, as Hammer describes, massive exit clearly harms students who remain in DPS.

Oversupply?

One charter school leader stated that the “[education] market is saturated but they [charter schools] keep on coming, and no one is shutting them down.”⁴⁵ In addition, DPS reported that a “large number of PSAs are now struggling to fill empty seats, and some have closed due to low enrollment.”⁴⁶ Between Fall 2012 and Fall 2013 PSA enrollment declined for the first time. Still, it's unclear what supply and demand looks like in Detroit's education market. The lack of coordination – and excess of competition – between PSAs and DPS makes it difficult to determine supply and demand, which is important to the financial viability of any educational system if it is to serve all students, especially those who need special education services. In addition, the city's population loss and declining birth-rate add another complex element for schools to deal mitigate. Despite the alleged “oversupply” of schools, there is a high unmet demand for accessible schools and special education services in Detroit's education market. Looking at *where* PSAs have located and *who* is serving students with special needs paints a different picture of supply and demand.

Avoiding Need and Inequities in Access

Location matters in Detroit and can determine whether students are able to access certain schools. Some areas in Detroit are facing a school shortage, indicating that PSAs haven't located where schools are really needed. For instance, there are eleven high schools in downtown Detroit – an area of recent renovation – while only 1,984 high school age students live in the area. In contrast, in northwest Detroit there are 3,742 high school age students and only two high

⁴³ Hammer, “The Fate of the Detroit Public Schools: Governance, Finance and Competition,” 141.

⁴⁴ See Appendix A, Table 2: Market Share of Detroit Resident Students Across Different Education Provider, 2002-2013.

⁴⁵ Lake, Jochim, and DeArmond, “Fixing Detroit's Broken School System.”

⁴⁶ Earley, “10-Point Management Plan Addendum A: Detroit School Supply, School Closures and Openings,” 2.

schools.⁴⁷ Even worse is the northeastern part of the city, which has been labeled an “education desert,” with only two high schools for 6,018 high school age students.⁴⁸ Some of Detroit’s students must commute long distances to attend some of the best schools in the city. Students attending University Preparatory Science and Math High School, a high-performing charter school, averaged a commute of 9.3 miles. Similarly, students attending an examination entrance DPS school, Cass Technical High School, average an 8.7-mile commute. For some families, these commutes can take up to three hours if relying on the bus system.⁴⁹ One of the neediest neighborhoods in Detroit – Brightmoor – has been described as an “educational desert” since 7,000 students must rely on five schools for K-8 students and a single high school.⁵⁰ Due to school closings, the only high school within a seven-square mile area of the Brightmoor neighborhood is Detroit Community Schools. Detroit Community Schools was ranked in the seventh percentile statewide for 2012-13 and performed below DPS.⁵¹ Yet, despite the high number of PSA openings over the years, higher performing PSAs have not come into the area to satisfy the demand for better schools. While PSAs cannot be explicitly selective in admissions, they can control *where* they locate to increase their chances of recruiting and enrolling a certain segment of the population.

Deeper analyses of the locational patterns of charter schools in Detroit conducted by Christopher Lubienski demonstrated that profit-oriented charters may be avoiding areas of high need and disadvantage. In his analysis of the Detroit education market, Lubienski examines where private schools and charter schools have located in relation to the socioeconomic status of residents residing in different regions of the city from 1995 to 2003.⁵² During the period of study, there was a massive expansion of charter schools – sixty-four schools opened during this span (see Figure 4).⁵³ The study distinguishes between profit-oriented and mission-oriented charter schools.⁵⁴ Schools managed by an independent or non-profit group or chartered by a local charter authorizer were designated as mission-oriented. Schools managed by for-profit EMOs were designated as profit-oriented.⁵⁵ Lubienski found that, in general, mission-oriented charter schools demonstrated “more attention to high-need areas than . . . profit-oriented charter and private schools.”⁵⁶ Mission-oriented charter schools were located near areas with relatively greater

⁴⁷ Zernike, “A Sea of Charter Schools in Detroit Leaves Students Adrift.”

⁴⁸ *Ibid.*

⁴⁹ Einhorn, “The Extreme Sacrifice Detroit Parents Make to Access Better Schools.”

⁵⁰ Chastity Pratt Dawsey, “One Poor Neighborhood, One Struggling School,” *Bridge Magazine*, 2016, <http://www.bridgemi.com/detroit-journalism-cooperative/one-poor-neighborhood-one-struggling-school>.

⁵¹ Sunil Joy and Amber Arellano, “Accountability for All: 2016, The Broken Promise of Michigan’s Charter Sector,” (Royal Oak, MI: Education Trust - Midwest, 2016), 8, 21, http://midwest.edtrust.org/wp-content/uploads/sites/2/2013/10/The-Education-Trust-Midwest_Accountability-for-All-2016_February-11-2016.pdf.

⁵² Christopher Lubienski, “School Choice and Competitive Incentives: Mapping the Distribution of Educational Opportunities Across Local Education Markets,” *American Journal of Education* 116, no. 4 (2009): 618, <http://www.jstor.org/stable/10.1086/599778>.

⁵³ *Ibid.*

⁵⁴ Christopher Lubienski and Charisse Gulosino, “Choice, Competition, and Organizational Orientation: A Geo-Spatial Analysis of Charter Schools and the Distribution of Educational Opportunities,” 2007, 8, <http://citeseerx.ist.psu.edu/viewdoc/summary?doi=10.1.1.465.7446>.

⁵⁵ *Ibid.*

⁵⁶ Lubienski, “School Choice and Competitive Incentives,” 618-19.

disadvantage; these areas contained the highest percentage of children, contained populations with less than high-school education, higher unemployment, public assistance income, and single-headed households.⁵⁷ In contrast, “profit-oriented charter schools as a whole appear to be increasingly avoiding areas with more disadvantaged student populations, with several moving to more affluent areas.”⁵⁸ One reason for this might be that more disadvantaged students are more expensive to effectively educate and Michigan’s funding for low-income and special needs students is inadequate (and increasingly unequal).⁵⁹ The per-pupil foundation allowance allotted to Detroit’s schools, then, may be inadequate to support quality schooling for disadvantaged and disabled students.

Another study by Lubienski found similar results regarding differences between profit-oriented charter schools and mission oriented charter schools in Detroit.⁶⁰ Mission-oriented charter schools – which make up only 24 percent of the charter school market – “represent over 62 [percent] of the charter schools in the areas of highest need.”⁶¹ Yet, charters managed by for-profit EMOs make up 76 percent of the charter school market in the Detroit area.⁶² Drawing on these results, of the education market in and around Detroit, Lubienski argues that many options are “unequally distributed and shaped by racial issues, geographic distance, and policy barriers.”⁶³

There are serious consequences when schools in areas of need are closed and PSAs fail to locate and fill the unmet demand. Recently, the state has threatened to close the lowest-performing schools in the state, twenty-five of which are in Detroit.⁶⁴ If these schools are to close, many parents will be left with either low-performing options somewhat nearby or high-performing options as far as forty or fifty miles away.⁶⁵ This might leave displaced students with few choices given that many parents do not own a car or cannot afford the expense of driving their students this far. Here, it is the state’s School Reform/Redesign Office (SRO) getting involved in the market and threatening schools with closure due to performance, not enrollment. In any case, it becomes clear that PSAs have not met demand where needed. It remains unclear where these students will go once their schools are closed. Lubienski’s studies, along with the absence of schools in under-served areas, raise serious questions about the ability of an education market to supply schools where they are needed most. In fact, the number of independent, self-

⁵⁷ Ibid.

⁵⁸ Ibid., 619.

⁵⁹ Augenblick Palaich and Associates (APA), “Michigan Education Finance Study” (Denver, CO, 2016), http://www.michigan.gov/documents/budget/Michigan_Education_Finance_Study_527806_7.pdf

⁶⁰ Christopher Lubienski and Peter Weitzel, “Choice, Integration, and Educational Opportunity: Evidence on Competitive Incentives for Student Sorting in Charter Schools,” *The Journal of Gender, Race & Justice* 12, no. 2 (2009): 372, <http://proxy.lib.umich.edu/login?url=http://search.proquest.com/docview/869602718?accountid=14667>.

⁶¹ Ibid.

⁶² Ibid., 373.

⁶³ Ibid.

⁶⁴ Lori Higgins and Kristi Tanner, “This Map Shows How Few Choices Parents Have If Detroit Schools Close,” *Detroit Free Press*, January 25, 2017, <http://www.freep.com/story/news/education/2017/01/25/close-failing-detroit-schools-what-parents-do/97003616/>.

⁶⁵ Ibid.

managed PSAs in Detroit has been steadily declining over the years, although PSAs managed by non-profit EMOs are gaining a larger share of the PSA market.⁶⁶ Despite the increasing “supply” of schools (i.e., number of schools in the market), there is an unmet demand that disparately affects students of lower socioeconomic status and special education students. Given the high number of past and oncoming school closings, how the fragmented education system will respond to these crises is unclear and quite concerning.

Special Education Students and the Marketplace

Students with disabilities are the most expensive to educate and the most vulnerable in the education market. Due to a variety of environmental and health factors, children in poverty have a higher risk of developing a learning disability.⁶⁷ In Detroit, special education students are disproportionately dispersed among different education providers. The exact cause of this problem is unknown, but may be a function of Michigan’s charter law, the services provided by PSAs in the market, and parental choice. By law, PSAs must: “provide special education programs and services designed to develop the maximum potential of each handicapped person in its district on record.”⁶⁸ Recent data, however, shows that special education students are disproportionately enrolled in DPS compared to PSAs and other TPSs. As a result, DPS bears a heavier burden than other school districts given the high costs of special education and the continuing loss of revenue from the state.

Despite DPS’s decline in market share of students, its market share of Detroit’s special education population has increased and is higher than that of PSAs serving Detroit’s students.⁶⁹ In fact, for the 2015-16 school year, its market share of the special education population was 54 percent, while its share of students without disabilities was only 38 percent.⁷⁰ In contrast, PSA market share of special education students was 38 percent – much lower than that of DPS.⁷¹ What’s more is that the students with disabilities make up a high percentage of DPSs’ total enrollment, especially compared to PSAs and the statewide average. Students with disabilities account for 18.2 percent of DPS’s enrollment; the statewide average is much lower, at 12.7 percent. Figure 5 shows DPS’s special education as a percent of its total enrollment, which has been increasing over the years. DPS remained below the statewide average from the 1994-95 school year to the 2005-06 school year. After the 2005-06 school year, DPS’s special education enrollment increased, rising above the statewide average.

⁶⁶ See: Appendix A, Table 3: School Openings and Closings in Detroit, 1994-2015; Appendix C, Table 14: Detroit Public School Academies (PSA) by Management Type (Grade Four), 2002-03 to 2013-14.

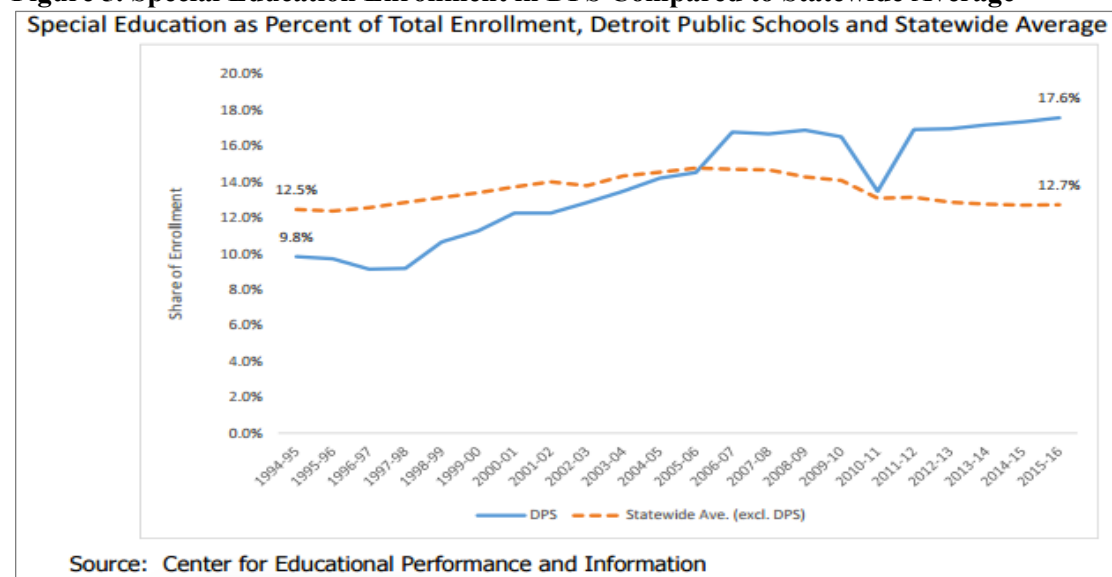
⁶⁷ Detroit Driven Data, "State of the Detroit Child: 2010," (2010), http://datadrivendetroit.org/web_ftp/Project_Docs/DETKidsDrft_FINAL.pdf.

⁶⁸ Michigan Department of Education, “Michigan Charter Schools - Questions and Answers,” (Revised January 2016), http://www.michigan.gov/documents/PSAQA_54517_7.pdf.

⁶⁹ Citizens Research Council of Michigan, “Public Enrollment Trends in Detroit,” (2016), 7, http://www.crcmich.org/PUBLICAT/2010s/2016/enrollment_trends_in_detroit-2016.pdf.

⁷⁰ Ibid.

⁷¹ Ibid.

Figure 5. Special Education Enrollment in DPS Compared to Statewide Average

Source: Citizens Research Council of Michigan, “Public Enrollment Trends in Detroit,” 2016, http://www.crcmich.org/PUBLICAT/2010s/2016/enrollment_trends_in_detroit-2016.pdf.

The Citizens Research Council of Michigan reported that students with disabilities are “less likely than students without disabilities to leave DPS for alternative education providers in the Detroit market.”⁷² Since Detroit’s parents have plenty of choices in the education market, why a greater share of Detroit’s special education students are enrolled in DPS needs investigation. A multiplicity of factors may be contributing to the segregation of students with disabilities in DPS. First, PSAs may not offer needed specialized services. One parent reports having called thirty-five PSAs, all of which said they did not offer the special education services her child needed.⁷³ While rejecting students based on their disabilities is prohibited by laws, Detroit PSAs are reported to use more informal methods of doing so. For instance, some claim they don’t offer the services and recommend another school that might.⁷⁴ Some PSAs have been said to informally sort students through “counseling out” students with disabilities for minor behavioral problems, although these instances have only been reported anecdotally. Transportation may also be a contributing factor. Since PSAs are not required to provide transportation for their students, parents may not be able to access PSAs not providing transportation. In contrast, Wayne RESA, the intermediate school district (ISD) that works with local districts – including DPS – and the Michigan Department of Education coordinates many special education services across the entire ISD. DPS and Wayne RESA provide “center-based programs” for students with severe disabilities that require specialists and designated special education classrooms.⁷⁵ About half of disabled students in DPS attend one of six center-based

⁷² Ibid.

⁷³ Rochelle Riley, “State Must No Longer Allow Charters to Discriminate,” *Detroit Free Press*, April 9, 2016, <http://www.freep.com/story/news/columnists/rochelle-riley/2016/04/09/state-must-no-longer-allow-charters-discriminate/82829926/>.

⁷⁴ Ben DeGrow, “More to Charter Special Ed Gap than Meets the Eye” (The Mackinac Center for Public Policy, 2016), <https://www.mackinac.org/22798>.

⁷⁵ Citizens Research Council of Michigan, “Public Enrollment Trends in Detroit,” 6-9.

programs.⁷⁶ Second, given the high number of for-profit EMOs operating PSAs in Detroit, profit-oriented PSAs may be avoiding students with expensive disabilities in order to cut a larger profit and maximize results on standardized tests, although more investigation is needed. Regardless, the fiscal crisis faced by DPS due to sharp enrollment decline and subsequent loss of revenue, presents a grave challenge for DPS in educating its most vulnerable (and expensive) students.⁷⁷

The Profit-Motive and Efficiency

What Does Efficient Education Provision Look Like?

Market advocates claim that the excessive bureaucracy of traditional public schools makes education provision inefficient, although what is meant by ‘efficiency’ and why this is the case varies. Chubb and Moe focused on the political reasons as to why democratically controlled schools were inefficient; specifically, they argued that competing interests over education forced those in power to create bureaucratic institutions to protect their policies. Friedman, in contrast, focused on the waste of resources in “bureaucratic systems” such as the traditional public school system.⁷⁸ Friedman, however, did not specifically outline what efficient allocation in schools might look like in terms of administration, instruction and other expenses. Some charter school advocates argued that charter schools would allocate more resources to instruction and less on “bloated public school administrative structures” that inhibited innovation and performance.⁷⁹ The origins of Michigan’s charter law reveal that Engler intended to free Michigan’s public education system from the inefficiencies of inhibitive bureaucracy and self-interested bureaucrats.⁸⁰ In addition, with the added profit-incentive in Michigan’s charter sector, advocates claimed that profits would entice PSAs to reduce costs while increasing performance.⁸¹ While “bureaucracy” is often used in a broad sense, the idea was that markets would bring innovation and efficiency. Not everyone agrees on the bottom line for assessing efficiency, although there is an increasing emphasis on inputs and outputs in terms of performance on standardized tests.

⁷⁶ Ibid., 9.

⁷⁷ The Citizens Research Council reports that DPS is burdened by Michigan’s special education financing system, as well as its large special education population (Ibid., 11-12). It is possible that PSAs may also be burdened by the special education financing system and, for this reason, not take in as many special education students. Here is another example of how the rules of the market influence the outcomes produced.

⁷⁸ James N. Goenner, “The Origination of Michigan’s Charter School Policy: An Historical Analysis” (PhD diss., Michigan State University, 2011), 27.

See Chapter II for a discussion of Chubb and Moe’s critiques of bureaucracy and democratic control.

⁷⁹ David Arsen and Yongmei Ni, “Is Administration Leaner in Charter Schools? Resource Allocation in Charter and Traditional Public Schools,” *Education Policy Analysis Archives* 20, no. 31 (2012), <http://epaa.asu.edu/ojs/article/view/1016>.

⁸⁰ Goenner, “The Origination of Michigan’s Charter School Policy,” 75, 79, 81.

⁸¹ Ibid., 41.

How are Resources Allocated?

Given the focus on student performance and the impetus to cut costs amidst the struggle for resources, “efficiency” might be measured by “student outcomes per dollar spent,” as Arsen and Ni describe it in the context of Michigan.⁸² Accordingly, many argued that charter schools would devote more sources to instruction rather than other non-instructional functions, like administration.

Looking at resource allocation in PSAs in terms of spending on administration and instruction, PSAs spend less on instruction than TPSs. Using data from the 2007-08 school year, David Arsen and Yongmei Ni analyzed resource allocation for all PSAs and TPSs in Michigan and found that, on average, PSAs spend \$774 *more* per-pupil a year on administration and \$1141 *less* on instruction compared to TPSs; this result held even when controlling for smaller enrollments, smaller economies of scale, and the start-up process of opening new schools.⁸³ As a percent of total expenditures, PSAs spend 47 percent on instruction while TPSs spend 61 percent.⁸⁴ Disparities also remain in terms of spending on special education. Arsen and Ni also report that TPS districts spend over \$500 *more per-pupil annually* than PSAs on special education.⁸⁵ Adding to the smaller per-pupil amount allocated to special education, PSAs educate a significantly smaller share of Detroit’s special education students compared to DPS.

Broken down by the type of PSA management – EMO or self-managed – Arsen and Ni found that PSAs managed by EMOs were found to spend about \$312 more per-pupil on administration.⁸⁶ Given the high number of for-profit EMOs and the small number of self-managed PSAs in Detroit, this result provides some insight into the allocation of scarce per-pupil funding in Detroit.⁸⁷ Furthermore, it raises questions as to why PSAs are spending more on administration since a portion of these funds are given to EMOs as service fees.⁸⁸ Since many EMOs are for-profit organizations, some of these funds may be gathered as profits. A 2009 study of PSAs in Michigan by Cynthia D. Hill and David M. Welsch found no evidence of a change in proficiency for PSAs run by for-profit EMOs and non-profit EMOs; the standard of efficiency used by Hill and Welsch was producing the greatest student outcomes at the lowest possible cost.⁸⁹

⁸² David Arsen and Yongmei Ni, “The Effects of Charter School Competition on School District Resource Allocation,” *Education Administration Quarterly* 48, no. 1 (2012): 6, <https://doi.org/10.1177/0013161X11419654>.

⁸³ Arsen and Ni, “Is Administration Leaner in Charter Schools?” 1-4.

⁸⁴ *Ibid.*, 8.

⁸⁵ *Ibid.*

⁸⁶ *Ibid.*, 13.

⁸⁷ See Appendix C, Table 13: Detroit Public School Academies (PSA) by Management Type (Grade Four), 2002-03 to 2013-14.

⁸⁸ *Ibid.*, 8.

⁸⁹ Cynthia D. Hill and David M. Welsch, “For-Profit versus Not-For-Profit Charter Schools: An Examination of Michigan Student Test Scores,” *Education Economics* 17, no. 2 (2009): 147–66, <http://dx.doi.org/10.1080/09645290801977017>.

A look at DPS's general fund expenditure from 2008 to 2015 – years during which the district was under emergency management – show that DPS is also spending less on classroom instruction and more on general administration and debt service as a proportion of its general fund expenditure.⁹⁰ After analyzing data from 2008 to 2015, Pedroni reports that classroom instruction as a proportion of general fund expenditure decreased from 55.19 percent to 46.8 percent.⁹¹ During the same time period: general administration for the district as a proportion of DPS general fund expenditure increased from 0.61 percent to 1.00 percent, while school administration as a proportion of total spending decreased from 6.27 percent to 5.17 percent.⁹² In addition, debt service as a proportion of DPS general fund expenditures increased from 1.7 percent to 7.8 percent.⁹³

The results reported by Pedroni are supported by earlier analyses by Arsen and Ni who found that PSA competition with TPSs did not cause TPSs to allocate more resources to achievement-oriented activities (i.e., instruction). In fact, DPS's Emergency Manager has shifted a greater proportion of funds to the district's debt service and general administration and a smaller proportion of funds to school administration and instruction. This suggests that both suppliers in the market – DPS and PSAs – are devoting fewer resources to instruction and more to administration. PSAs appear to have “bloated” administrations and devote less to classroom instruction. Competition for profits, then, may not have forced schools to devote more to instruction and classrooms.

Marketing for Students and Dollars: Count Day Competition

An obvious indicator of the competition between schools in Detroit for students (and their per-pupil funding) is seen on “count day.” There are two count days, one in November, which determines 90 percent of the per-pupil funding received from the state, and another in February, which determines the rest.⁹⁴ If students are not present on count day, the school will not receive the associated per-pupil funding. Consequently, schools are under immense pressure to ensure high attendance on count day. Count day also demonstrates the ways in which schools are using marketing schemes to increase their share of the diminishing per-pupil foundation allowance available in Detroit.

⁹⁰ Thomas C. Pedroni, “Detroit Public Schools EM Shift Funds,” *Detroit Metro Times*, July 15, 2014, <http://www.metrotimes.com/detroit/detroit-public-schools-em-shifts-funds/Content?oid=2202829>.

Thomas C. Pedroni, “White Paper: Returning DPS to Fiscal Health Requires the Curtailing of Recent Runaway Spending by Emergency Manager,” *Detroit Data and Democracy*, <https://sites.google.com/site/detroitdataanddemocracyproject/white-paper-on-dps-fiscal-crisis>.

⁹¹ Pedroni, “Detroit Public Schools EM Shift Funds.” The expenditures reported by Arsen and Ni may not be comparable to these reported by Pedroni. Nevertheless, the data indicates a similar trend is tracking across TPS (including DPS) and PSAs.

⁹² Pedroni, “White Paper: Returning DPS to Fiscal Health Requires the Curtailing of Recent Runaway Spending by Emergency Manager.”

⁹³ Pedroni, “Detroit Public Schools EM Shift Funds.”

⁹⁴ “Detroit-Area Schools Woo Students with Count Day Fun,” *The Detroit News*, October 18, 2015, <http://www.detroitnews.com/story/news/local/wayne-county/2015/10/07/detroit-schools-count-day-fun/73531916/>.

The scene in Detroit's schools – both PSAs and DPS – on count day has been likened to a “political campaign” where schools “buy radio ads and billboards, sponsor count day pizza parties and carnivals.”⁹⁵ Such practices have been occurring since at least 2009, when DPS offered a chance to win a laptop, iPod, or flat-screen TV.⁹⁶ In 2010, DPS gave out a total of 20,000 dollars in Target gift cards.⁹⁷ Charter schools are also involved in these practices. One mother was given a raffle ticket for a fifty-dollar gift card for enrolling at a charter schools.⁹⁸ Recently in 2015, one charter school, Burton International Academy, featured inflatables, photograph stations, and even chefs from the MGM Grand casino-hotel to prepare special meals.⁹⁹ In this climate, schools may be pressured to use extravagant marketing practices used by other schools to increase enrollment and ensure count day turnout; otherwise, they may risk losing their market share of an already-declining student base. While some research shows a lack of innovation in PSAs, there is evidence of a high degree of innovation in *marketing* practices to position and promote services through research and development, pricing, and advertising.¹⁰⁰ These marketing practices – a normal part of most *business* operations – are clearly wasteful. More than wasteful, they are problematic. Money spent on marketing operations means that money is not being spent on instruction. Given some PSAs' contentions that they do not have resources for special education students, DPSs' reported supply shortages, and the dismally-low performance on the part of both providers, there is no reasonable way to justify this spending on marketing.

Innovation and PSAs in Detroit

Both charter school and market-based education provision advocates argued that giving charter schools more autonomy in governance would result in experimentation and innovation. Some thought that competition would allow innovative schools to thrive and force other schools to innovate or close. Others argued that experimentation in charter schools would spread to TPSs; both school providers could learn from each other by sharing effective practices, although this requires cooperation, making it unlikely that this can occur in a hypercompetitive market.

As discussed in Chapter IV, Michigan's charter school law gives PSAs a high level of autonomy, with the exception that PSAs are required to take standardized tests. As their own districts, PSAs have a great degree of fiscal autonomy. This lack of oversight and regulation gives PSAs space to operate as they see fit. Detroit's education market is extremely competitive, as PSAs, DPS, and the EAA must compete to gain a greater share of the diminishing student population. Advocates of competition in education see this as an important condition for allowing education providers to offer unique options not offered in TPSs. Detroit's market is

⁹⁵ Ibid.

⁹⁶ Kelsey Sheehy, “High School Students Get Swag on Count Day,” *US News and World Report*, December 2, 2012, <http://www.usnews.com/education/blogs/high-school-notes/2012/09/10/high-school-students-get-swag-on-count-day>.

⁹⁷ Ibid.

⁹⁸ Zernike, “A Sea of Charter Schools in Detroit Leaves Students Adrift.”

⁹⁹ Sheehy, “High School Students Get Swag on Count Day.”

¹⁰⁰ Christopher A Lubienski, “Public Schools in Marketized Environments: Shifting Incentives and Unintended Consequences of Competition-Based Educational Reforms,” *American Journal of Education* 111, no. 4 (2005): 474, <http://www.jstor.org/stable/10.1086/431180>.

supposedly ripe for innovation due to the intense competition, at least according to advocates of market-based competition; but, have educational innovation and diversification occurred in Detroit?

Christopher Lubienski and Jin Lee investigated this question in order to understand how schools in the metropolitan Detroit area were engaging with the market and whether competition incentivized the creation of diverse educational options.¹⁰¹ Using the goals stated in charter school mission statements, they found a “notable level of isomorphism in charter school mission statements, indicating a tendency to replicate rather than innovate.”¹⁰² 70 percent of the mission statements focused on “accelerating academic achievement through rigorous core curricula” by using words such as: “measurable results” and “core curriculum.”¹⁰³ Rarely, however, did they contain language regarding themes such as: the environment, attitude, lifelong learning, diversity, leadership, social skills, and citizenship.¹⁰⁴ Generic and homogenous mission statements may have serious impacts on how parental choice functions, as Lubienski and Lee discuss, “uniform and standardized charter school mission statements inhibit different learners and populations from choosing an appropriate charter school.”¹⁰⁵ This study indicates that PSAs in Detroit and the metropolitan area are providing plenty of choices, but these choices seem to lack diversity and innovation, at least in the ways they market themselves.

The Price of Exit: Student Mobility and Teacher Turnover

Student Mobility

The market theory views exit as an important feature, rather than a flaw, of education markets. When schools open and close, students move between them in search of a better option, increasing student mobility. For some parents, school closings can disrupt lives and leave them searching for a suitable option; Erin Einhorn of *The Atlantic* tells the story of one Detroit mother:

The closure of that school kicked off a decade of bouncing her five children around to a motley mix of public, charter, and parochial schools that, one by one, disappointed Wilson and her kids. One school was too violent, Wilson said. Another had five principals in four years. One charter school changed management companies in the middle of the school year. Every year, she drives a different route, taking kids to different schools, while watching as schools in her own neighborhood have emptied out and become vacant and derelict.¹⁰⁶

While this piece of anecdotal evidence might not indicate how widespread student mobility – or the rate at which students change schools – but evidence demonstrates this

¹⁰¹ Christopher Lubienski and Jin Lee, “Competitive Incentives and the Education Market: How Charter Schools Define Themselves in Metropolitan Detroit,” *Peabody Journal of Education* 91, no. 1 (2016): 64–80, doi:10.1080/0161956X.2016.1119582., 65-66.

¹⁰² Ibid.

¹⁰³ Ibid., 72.

¹⁰⁴ Ibid., 73.

¹⁰⁵ Ibid., 76.

¹⁰⁶ Einhorn, “The Extreme Sacrifice Detroit Parents Make to Access Better Schools.”

mothers' experience may not be so unique. A 2014 study conducted by Liyang Mao and Bettie Landauer-Menchik found that Detroit's students – in both DPS and PSAs – change schools significantly more often compared to students in other Michigan districts.¹⁰⁷ They used individual student data to track students from 2008 through 2012-13, following elementary, middle school, and high school students. The percentage of Detroit's students who have attended more than one school (i.e., the mobility rate) is 48 percent for elementary school students, 42 percent for middle school students, and 48 percent for high school students.¹⁰⁸ These mobility rates are much higher than the statewide average of 21 percent.¹⁰⁹ Across all grade levels, only 51 percent of PSA students and 57 percent of DPS students have remained in the same district for their schooling in elementary, middle, and high school, while the statewide average is much higher, at 79 percent.¹¹⁰

High mobility correlates with poor student achievement in both DPS and PSAs.¹¹¹ Mobile students – those who have changed schools more than once – perform less well on state achievement tests.¹¹² Additionally, moving schools is very taxing on students because they must adjust psychologically, socially, and academically.¹¹³ Changing schools often means that students lose the relationships they've had with peers, teachers, and school administrators. Continuity in relationships is important for personal and academic development – something that many students may lack due to the high amount of disruption students face. The high mobility in Detroit is likely associated with the lack of informed choice in Detroit, little information provided by PSAs to differentiate themselves from one another, and the constant flux in the supply of schools.

Teacher Turnover

Originally, one of the main tenets of the charter school idea was to reduce bureaucratic restrictions on teachers by granting them a high degree of professional autonomy.¹¹⁴ As previously discussed, charter school boards are largely powerless in some PSAs that are controlled by EMOs and some PSAs are reported to give little autonomy to teachers. In addition, across the U.S., there is evidence of high teacher turnover in charter schools. In fact, one of the main reasons teachers change schools or leave the profession altogether is dissatisfaction with working conditions.¹¹⁵ Teacher turnover is found to have negative impacts on student learning

¹⁰⁷ Liyang Mao and Landauer-Menchik, "Mobility in Detroit's Charter Schools," Michigan State University (2014), 2,

https://www.michigan.gov/documents/mde/Student_Mobility_in_PSAs_January_21_2014_445767_7.pdf

¹⁰⁸ Ibid.

¹⁰⁹ Ibid.

¹¹⁰ Ibid., 14.

¹¹¹ Ibid., 2.

¹¹² Ibid.

¹¹³ Ibid.

¹¹⁴ John E. Chubb and Terry M. Moe, *Politics, Markets, and America's Schools* (Washington, D.C.: The Brookings Institution, 1990), 187.

¹¹⁵ David A. Stuit and Thomas M. Smith, "Research Brief: Teacher Turnover in Charter Schools," 2009, <http://www.vanderbilt.edu/schoolchoice/search/publication.php?id=62-.html>.

and creates a cycle of inexperienced teachers who are unlikely to continue in the profession.¹¹⁶ Classrooms that undergo a teacher change during the year or rely on long-term substitute teachers may be harmful to students with special needs and learning disabilities who may perform better when stable and meaningful relationships are formed with their educators. Essentially, an environment in constant flux – of schools, teachers, and students – is not conducive to stable relationships between teachers and their students.

The National Center on School Choice examined teacher turnover in charter schools and TPSs and found that the rate at which teachers leave the teaching profession and move between schools is significantly higher in charter schools compared to TPSs.¹¹⁷ New start-up charter schools were found to experience more teacher attrition and mobility than those converted from TPSs.¹¹⁸ In 1987-88, most U.S. teachers had fifteen years of experience. Two decades later, most teachers have had one year of experience.¹¹⁹ Yet, in Michigan, teacher turnover appears to be a problem across both types of schools – PSAs and TPSs, but affects low-income students much more than high-income students. Bridge Magazine found that low-income schools were “more than twice as likely to have inexperienced teachers than wealthy, suburban schools.”¹²⁰ PSAs are also found to be more likely to employ young and transitory teachers. And, since Michigan’s PSAs are concentrated in high-poverty communities, like Detroit, Michigan’s poorest students are more likely to be educated by young and inexperienced teachers.

In Detroit, many PSAs have suffered from high teacher turnover and inexperienced teachers. Allen Academy, a PSA in Detroit, was reported to have a teacher turnover rate of 70 percent due to a change in EMOs in 2015; in addition, the school had ten full-time substitutes teaching at the school.¹²¹ Lack of teacher experience and high teacher turnover plagued Detroit Community Schools, a charter school located in the Brightmoor neighborhood.¹²² While the uncertified administrators of the school received six-figure salaries, only 6.1 percent of the students were proficient in math and English language arts and teachers received modest pay.¹²³

Some trends in charter schools – such as, higher funding allocations to administration rather than instruction, profit-incentives, and the fact that young and inexperienced teachers are cheaper to employ – suggest that aspects of the charter industry may not be helping this problem. The high numbers of school openings and closings every year surely accelerate teacher turnover and student mobility, creating an environment where classrooms may be filled with a different student composition month-to-month. This kind of environment places incredible obstacles in

¹¹⁶ Ron French, “Michigan Classrooms Loaded with Rookie Teachers Who Burn Out,” *MLive*, October 15, 2013, http://www.mlive.com/education/index.ssf/2013/10/michigan_classrooms_loaded_wit.html.

¹¹⁷ Stuit and Smith, “Research Brief: Teacher Turnover in Charter Schools.”

¹¹⁸ *Ibid.*, 2.

¹¹⁹ French, “Michigan Classrooms Loaded with Rookie Teachers Who Burn Out.”

¹²⁰ *Ibid.*

¹²¹ Shawn D. Lewis, “Detroit’s Allen Academy, 4 Other Mich. Charters Closing,” *The Detroit News*, June 28, 2016, <http://www.detroitnews.com/story/news/local/detroit-city/2016/06/28/allen-academy-charter-school-closing/86468838/>.

¹²² Dawsey, “One Poor Neighborhood, One Struggling School.”

¹²³ It was reported that Detroit Community Schools administrators were involved in corrupt practices. It is unlikely that they added value to the school to justify the costs of a high salary.

front of educators, while the cyclic nature of teacher turnover places low-income students frequently under the instruction of unexperienced teachers; neither of these factors are conducive to quality learning experiences. Thus, high student and teacher mobility make for an obviously unstable education market.

Performance in Detroit: Examining Student Outcomes Twenty Years Later

The education market has been described as one with “lots of choice” but “no good choice.”¹²⁴ Parents have experienced many barriers when exercising choice; this is especially the case for students with special needs and disabilities. These barriers may be due to the complexity of Detroit’s fragmented education system, confusing paperwork, and lack of accessibility in terms of location and transportation. But what information do we have about the quality of choices available? Unfortunately, this question cannot be fully answered because school quality is multi-faceted and complex. One way to analyze the choices available is through student performance on standardized test scores. It should be recognized that test scores do not measure many aspects of education that are important. Standardized tests are not, by any means, a definitive measure of instructional or school quality.¹²⁵ For instance, schools struggling on standardized tests may be offering unique services to students with disabilities or bilingual students. Nevertheless, standardized tests are a quantitative measure that can be used to compare the performance of different populations over time and understand how policies might influence student achievement.

In addition, standardized test scores are extremely important to the State of Michigan, especially after the passage of No Child Left Behind (NCLB) and the “extreme testing culture of the 2000s” where schools were required to make adequate yearly progress (AYP) on state-administered standardized tests or face punishment.¹²⁶ The importance of performance on standardized tests is highlighted in the state’s takeover of the lowest performing schools, all of which were DPS schools. To this day, the state still takes performance seriously; recently, the state reform office (SRO) has threatened to shut down schools in ranked in the lowest 5 percent of schools statewide, twenty-five of which are in Detroit.¹²⁷

Prior to comparing the performance of students attending PSAs and DPS, the current literature is reviewed. Two studies related to performance in Detroit’s PSAs and DPS are discussed. The first, Stanford’s CREDO study, focuses on comparing the learning gains of students in traditional public schools and charter schools. The second, Liyang Mao and Landauer-Menchik’s Top-to-Bottom assessment of PSAs, DPS, and the EAA compares the performance of Detroit’s schools compared to statewide rankings. Lastly, using grade four

¹²⁴ Zernike, “A Sea of Charter Schools in Detroit Leaves Students Adrift.”

¹²⁵ James W. Popham, “Why Standardized Tests Don’t Measure Educational Quality,” *Educational Leadership* 56, no. 6 (1999): 8–15, <http://www.ascd.org/LandingPages/EducationalLeadership/ELArticleTTredirect/tabid/317/Default.aspx>.

¹²⁶ Leanne Kang, “The Dismantling of an Urban School System: Detroit, 1980-2014” (PhD diss., University of Michigan, 2015), 36, <http://hdl.handle.net/2027.42/113328>.

¹²⁷ Higgins and Tanner, “This Map Shows How Few Choices Parents Have If Detroit Schools Close.”

reading scores on the MEAP from 2002-03 to 2013-14, the performance of different education providers – DPS, PSAs, and the EAA – is analyzed.

The following aspects of Detroit’s education market are explored: the performance gap between Detroit’s students and students statewide; the performance of PSAs compared to other market options; and the for-profit industry in Detroit. In all cases, comparisons made between DPS and PSA students are limited by the fact that charter schools are not assigned students and may use informal methods to sort their student populations.¹²⁸ No doubt, DPS and TPS alike serve high proportions of socioeconomically disadvantaged students; but, sorting may still occur through informal processes such as location, transportation, and recruiting methods. This analysis is not framed by the charter versus traditional public school debate; instead, it looks at *all* Detroit’s students and education providers and asks the question: are *all* students being served? Competition was meant to improve outcomes for all students. If some students are left behind – regardless of the education provider – then, the education market has failed.

Growth in Detroit’s Schools

Stanford University’s Center for Research on Educational Outcomes (CREDO) has published many charter school studies since 2009 examining charter schools at national, state, and regional levels. The 2013 CREDO study, “Charter School Performance in Michigan,” examines the growth of Michigan’s charter school students from 2005-06 to 2010-11. First, the study looks at the results in terms of the “academic progress that a typical charter school student in Michigan would realize from a year of enrollment in a charter school.”¹²⁹ Second, the study compared charter school performance to the local traditional public school (TPS) alternative, namely Detroit Public Schools (DPS). The 2013 study concluded that “[c]ompared to the educational gains that charter students would have had in a traditional public school (TPS), . . . on average, students in Michigan charter schools make larger educational gains in reading in mathematics.”¹³⁰

A closer look at the report reveals interesting results on the improvements of different students based on demographics in Detroit. Black students in Detroit charter schools are demonstrating “significantly larger growth” compared to Black students in TPSs.¹³¹ Nevertheless, racial disparities remain with the report adding that Black students, regardless of attendance at a charter or TPS school show smaller gains in reading and math compared to White students in TPSs.¹³² The result was similar for students in poverty, who make up 78 percent of Detroit’s charter school population. Students in poverty enrolled in charter schools made

¹²⁸ Michael F. Addonizio and C. Philip Kearney, “Charter Schools,” in *Education Reform and the Limits of Policy: Lessons from Michigan* (Kalamazoo, MI: W.E. Upjohn Institute, 2012), 142, <https://muse.jhu.edu/book/23040>.

¹²⁹ Center for Research on Educational Outcomes (CREDO), “Charter School Performance in Michigan,” Stanford University (2013): 5, https://credo.stanford.edu/pdfs/MI_report_2012_FINAL_1_11_2013_no_watermark.pdf.

¹³⁰ Center for Research on Educational Outcomes (CREDO), “Charter School Performance in Michigan,” 6.

¹³¹ *Ibid.*, 38.

¹³² *Ibid.*

significant learning gains compared to those attending TPSs, although this result is less impressive when compared to the statewide results; students in poverty were found to grow at a rate “significantly worse than their non-poverty peers statewide.”¹³³ Special education students in PSAs were also found to progress significantly less than those attending TPS.¹³⁴ This may be one of factors explaining the disparity between DPS and PSAs in terms of special education enrollment. The CREDO report provides evidence that, regardless of the school attended, Black students and students in poverty are growing at rates significantly worse than their White and non-poor peers statewide. This is one reason why debates framed between PSAs and DPS are unhelpful when assessing Detroit’s education market. As it turns out, disadvantaged students and students of color are ill-served by both providers of schools.

Despite the dismal results for impoverished, Black, and special education students, the CREDO study has been met with some praise. Dan Quisenberry, president of a charter advocacy group - the Michigan Association of Public School Academies (MAPSA) – commented on the study, stating the survey provides evidence “that charter schools are working” and that “[o]n average, these charters are providing quality choices.”¹³⁵ An editorial published on the *Detroit News* cited the 2015 urban charter school study, arguing that “overall, the charter sector is making a real contribution.”¹³⁶ While many charter advocacy groups praise the CREDO study as sign of success, the study has come under attack for the methods used, since improvement on test scores as calculated learning gains is used instead of proficiency rates.¹³⁷ Some charge that the CREDO results – that roughly half of the charters in Detroit are performing better than DPS –

¹³³ Ibid., 39.

¹³⁴ Ibid., 41.

¹³⁵ Lori Higgins, “Detroit Charter Schools Show Gains, but Lag Behind State,” *Detroit Free Press*, March 26, 2015. <http://www.freep.com/story/news/local/michigan/detroit/2015/03/25/detroit-charters-credo-research-improving-better/70467120/>

¹³⁶ “Editorial: Charter Schools Aren’t a Big Joke,” *The Detroit News*, August 30, 2016.

<http://www.detroitnews.com/story/opinion/editorials/2016/08/30/editorial-charter-schools-big-joke/89572522/>

The 2015 urban charter school study by CREDO included findings similar to those found in their study of Michigan and other states.

¹³⁷ Higgins, “Detroit Charter Schools Show Gains, but Lag Behind State.”

Given controversy over the CREDO study, it’s important to acknowledge these criticisms. The CREDO studies use a virtual control record (VCR), which matches each charter student to seven TPS students based on prior test scores and student demographics.¹³⁷ The VCR method has been criticized by Caroline Hoxby, a Professor of Economics at Stanford focused on issues in education. Hoxby argues that the achievement of charter students is measured with much more error than the achievement of controls (group averages of TPS students). In his review of the 2015 Urban Charter School Study, Andrew Maul critiques CREDO’s methods as well. Maul charged that the VCR method is not well documented or justified. Further, he argued that the methods used involved “systematic exclusion of many lower-scoring students.” Maul also points to the CREDO findings expressed in terms of “growth,” which are estimated using “average year-to-year gains on state standardized tests” are translated into “days of learning.” This procedure, he argues, is not explained and, thus, “cannot be regarded as credible.”¹³⁷ Andrea Gabor, a Bloomberg Professor of Business Journalism at Baruch College, voiced a similar criticism, claiming that the CREDO study includes high quality charter schools while excluding high quality traditional public schools.

are not an indicator of the success of charter schools given the “very low bar” set by DPS.¹³⁸ In fact, DPS has been ranked the lowest among large-city districts in both math and reading on the National Assessment of Educational Progress (NAEP) for four consecutive assessments, ranging from 2009 to 2015.¹³⁹

Additionally, The Education Trust-Midwest, an education policy and advocacy organization, argued that measures of school performance shouldn’t focus too much on growth: While growth is important and should be considered, ultimately children are held accountable for their overall achievement in society. College admissions, scholarship committees, employers and others make decisions based on whether a young person performs – not simply if he or she has grown in learning.¹⁴⁰

On the one hand, growth reveals the progress students have made and this is important. On the other hand, the creation of a market-based education system was intended to raise the performance of all students in Detroit, since they were far behind the state (and nation). Even on measures of growth, students of color and students in poverty remain far behind students statewide. This indicates that both types of schools are doing little to close the achievement gap between disadvantaged students and students statewide.

Top-to-Bottom Rankings

Another way to measure performance is using state Top-to-Bottom (TTB) School Rankings, one of Michigan’s accountability systems that ranks schools on student performance in math, English Language Arts, science, and social studies.¹⁴¹ Schools are ranked based on “performance components of student achievement and student improvement.”¹⁴² The TTB system accounts, then, for both measures: growth and achievement. In their study of student mobility, Liyang Mao and Landauer-Menchik found that most of the schools Detroit students

¹³⁸ Robin Lake, Ashley Jochim, and Michael DeArmond, “Fixing Detroit’s Broken School System: Improve Accountability and Oversight for District and Charter Schools,” *Education Next* (2015), 23, <http://educationnext.org/fixing-detroits-broken-school-system/>.

The 2013 CREDO study also compares Detroit PSAs to their local markets (i.e., traditional public school market). They found that the majority (52 percent) of PSAs show no significant differences in reading performance compared to their local markets. 47 percent of PSAs were found to perform significantly better than the TPS market. The report does not document the criteria used for selecting schools as part of the “local market” and, for this reason, is not included in this discussion.

¹³⁹ Shawn D. Lewis, “Detroit Worst in Math, Reading Scores Among Big Cities,” *Detroit News*, 2016, <http://www.detroitnews.com/story/news/local/detroit-city/2015/10/28/national-assessment-educational-progress-detroit-math-reading-results/74718372/>

The NAEP was administered in 2009, 2011, 2013, and 2015. Each time DPS has performed lower than other large cities.

¹⁴⁰ Sunil Joy and Amber Arellano, “Accountability for All: 2016, The Broken Promise of Michigan’s Charter Sector,” (Royal Oak, MI: The Education Trust Midwest, 2016), 9, http://midwest.edtrust.org/wp-content/uploads/sites/2/2013/10/The-Education-Trust-Midwest_Accountability-for-All-2016_February-11-2016.pdf.

¹⁴¹ Michigan Department of Education, “Top-to-Bottom School Rankings,” accessed November 30, 2016, http://www.michigan.gov/mde/0,4615,7-140-22709_56562---,00.html.

¹⁴² Ibid.

attended were in the bottom 50 percent of the state’s Top-to-Bottom School Rankings in 2012.¹⁴³ The percentages of students attending schools in the bottom 50 percent of schools is 71 percent for DPS students and 72 percent for PSA students.¹⁴⁴ In this manner, PSAs and DPS seem to be somewhat on par with each other since a significant percentage of charter school *and* DPS students are attending schools that perform worse than half of schools statewide. Yet, there is an incredibly large disparity between the number of students attending PSAs and DPS schools in the fifth percentile of schools statewide; 40 percent of Detroit’s students (20,508 students) attended a DPS school ranked in the fifth percentile compared to 8 percent of PSA students (3,856 students).

Based on performance, students attending schools in the EAA are attending some of the worst schools in the state. In fact, 93 percent of Detroit’s students enrolled in an EAA school are attending a school ranked in the fifth percentile of school statewide. The rest, or 7 percent of Detroit’s students enrolled in the EAA are attending a school in the twenty-fifth percentile of schools.¹⁴⁵ EAA students seem to be faring far worse than the rest of Detroit’s students. Yet, options appear to be restricted to lower-performing schools, even for students leaving DPS for other TPS districts, options appear to be limited to lower-performing schools; 55 percent of Detroit’s students attending TPSs outside Detroit attend a school in the bottom 50 percent of school statewide; and, the other 45 percent of students attend schools that are unranked.¹⁴⁶ Thus, it becomes apparent that options in and around Detroit appear to be limited to low-performing schools.

Performance in Detroit: PSAs, DPS, and the EAA

These analyses clearly demonstrate that high-performing schools are in short supply both inside and outside Detroit. Is competition driving all schools in the market to perform better? Are poor-performing schools being pushed out of the market due to low enrollment or low performance? Do for-profit EMOs manage high-performing PSAs? In order to answer these questions, I rely on grade four reading proficiencies for Detroit PSAs and DPS.¹⁴⁷ Research shows that reading level by the end of third grade is extremely important for future academic success. As the saying goes, prior to and during third grade students are “*learning to read*” and after students are “*reading to learn*.”¹⁴⁸ Subsequently, students reading below grade level by third grade face greater risks for reading difficulties later in their academic careers.¹⁴⁹ This has

¹⁴³ Liyang Mao and Landauer-Menchik, “Mobility in Detroit’s Charter Schools,” Michigan State University (2014), 6, http://www.michigan.gov/documents/mde/Student_Mobility_in_PSAs_January_21_2014_44576_77.pdf.

¹⁴⁴ Ibid.

¹⁴⁵ Ibid.

¹⁴⁶ Ibid.

¹⁴⁷ The MEAP tests students based on the previous years’ content and skills, so fourth graders are assessed based on content and skills they should have mastered in third grade.

¹⁴⁸ Joy Lesnick et al., “Reading on Grade Level in Third Grade: How Is It Related to High School Performance and College Enrollment?” (Chicago, IL, 2010), 1, <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.715.5162&rep=rep1&type=pdf>

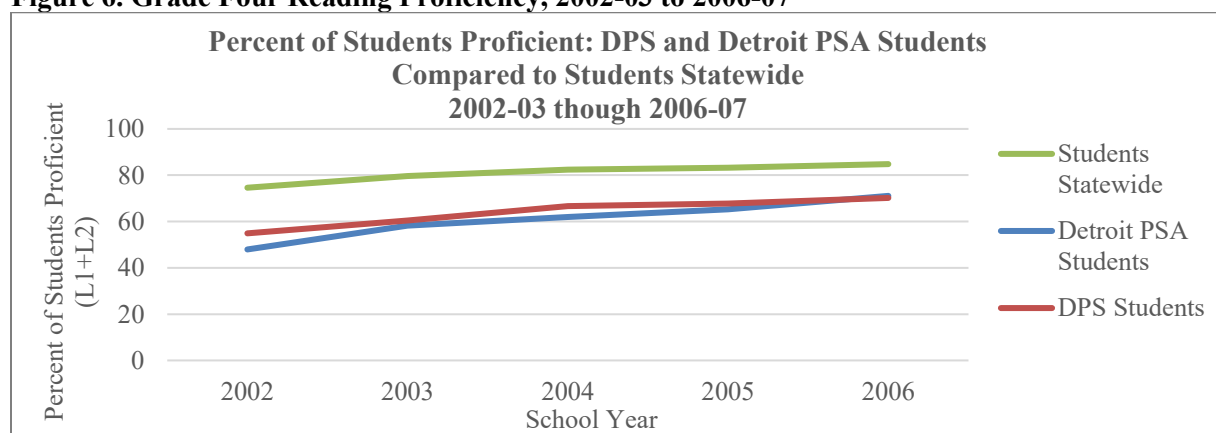
¹⁴⁹ Ibid., 5.

been described as “double jeopardy” for students in poverty; poor children who are not proficient in reading in third grade are six times more likely to drop out of high school than all proficient readers.¹⁵⁰ How Detroit’s education market is serving its grade four students in each year may be an indicator of how well (or poorly) these students will perform in later years. Hence, the question: are Detroit’s schools setting students up for long-term academic success?

The Performance Gap Between Detroit Students and Michigan Students

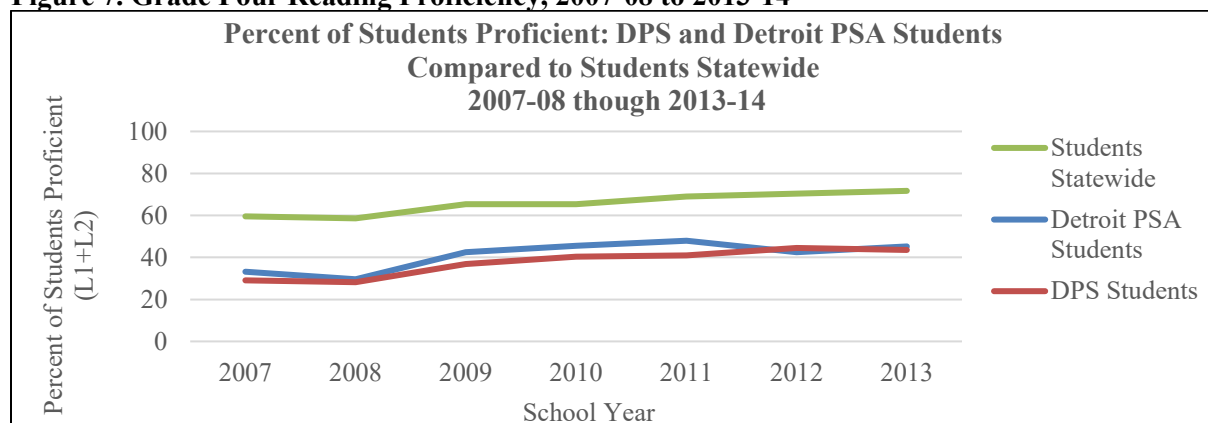
Looking at performance over the years, from 2002-03 to 2006-07 and 2007-08 to 2013-14, Detroit PSAs and DPS are showing slight improvements, although there is a large performance gap between Detroit’s students – attending PSAs and DPS – and students statewide.¹⁵¹ Figures 6 and 7 show student performance (in terms of the percent of grade four students proficient in reading) for both time periods. In 2002-03 to 2006-07, PSAs remained slightly below DPS students and begin to catch up during the 2005-06 and 2006-07 school year. Both groups of students remain far below students statewide. In 2007-08 to 2013-14, PSA students rise slightly above DPS students, but remain roughly on par with each other.

Figure 6. Grade Four Reading Proficiency, 2002-03 to 2006-07



¹⁵⁰ Donald J. Hernandez, “Double Jeopardy: How Reading Skills and Poverty Influence High School Graduation,” Annie E. Casey Foundation (2011), <https://eric.ed.gov/?id=ED518818>.

¹⁵¹ These periods – 2002-03 to 2006-07 and 2007-08 to 2013-14 – cannot be compared in terms of percent of students proficient. See Appendix B for an explanation.

Figure 7. Grade Four Reading Proficiency, 2007-08 to 2013-14

Some may view the slight increase in performance in Figures 6 and 7 as improvement in DPS and PSAs. However, relative to students statewide, Detroit's students are not improving and remain far behind. Between 2002-03 and 2006-07, the average proficiency gap between all Detroit's students – including those in DPS, PSAs, and the EAA – and students statewide was 17.4 percentage points.¹⁵² During this time, there was significant improvement in the proficiency gap; it decreased from 20.6 percentage points to 14.4 percentage points. A different trend appears in 2007-08 to 2013-14. The average performance gap was 27.2 percentage points. In 2007-08, the proficiency gap was 29.7; this gap is reduced by about 6 percentage by 2011-12, but it increased again to 28.3 percentage points by 2013-14.¹⁵³ Overall, there is little evidence to demonstrate that the introduction of competition and choice led to a substantial improvement (i.e., decrease) in the performance gap between Detroit students and students statewide. In fact, grade four students in DPS, PSAs and the EAA remain far behind; this may have very serious and harmful consequences for their future academic success. If Detroit's education market leaves students behind as early as the fourth grade how are they to catch up later?¹⁵⁴

Dominance of Low-Performing Schools

Given the overall low performance of all students in DPS and PSAs, is there any evidence demonstrating that the market is weeding out low-performing schools, whether via school closures or parental choice? The previous section looks at the Detroit PSA student population in terms of the percent of students proficient in reading in grade four. But, how are PSAs (schools) doing relative to each other, DPS, and students statewide? Trying to answer this question provides insight into whether competition drives low-performing PSAs out of the

¹⁵² See Appendix B, Table 10: Proficiency Gap Between Detroit's Students and Students Statewide, 2002-03 to 2006-07.

¹⁵³ Ibid.

¹⁵⁴ My discussion of the performance gap is analyzing inequality in outcomes. While I do not endorse an equality standard, I argue that this large of a disparity between Detroit's students and students statewide early on (in fourth grade when critical and basic reading skills must be mastered for future academic success) may fail to bring them to a level of competitiveness that is necessary to join the elite. Thus, this disparity is important, even for an adequacy standard.

market.¹⁵⁵ In order to remain open, PSAs rely on student enrollment (i.e., per-pupil foundation allowance) and oversight by their authorizer, although there is plenty of evidence that authorizers are not providing adequate oversight and that the state is not holding authorizers accountable.¹⁵⁶

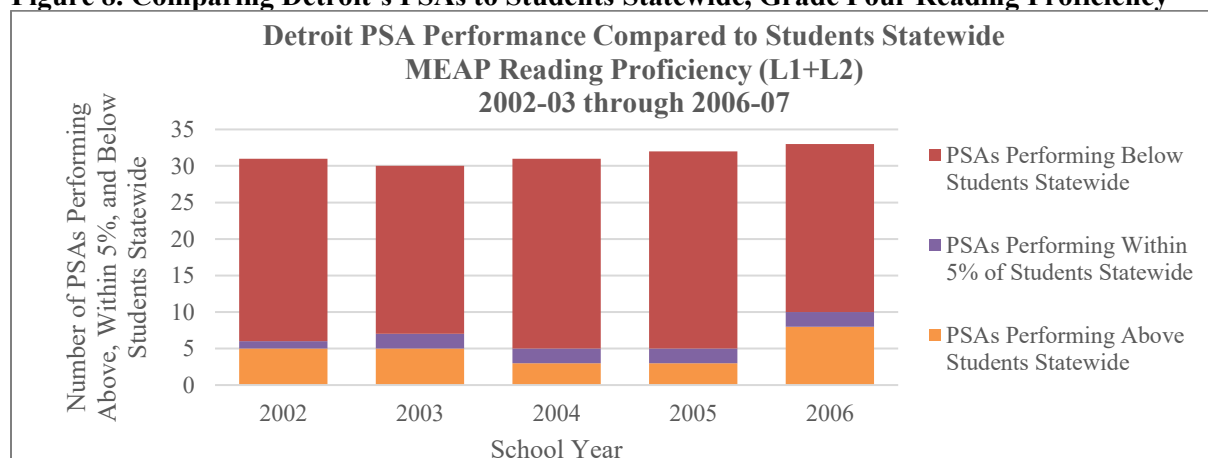
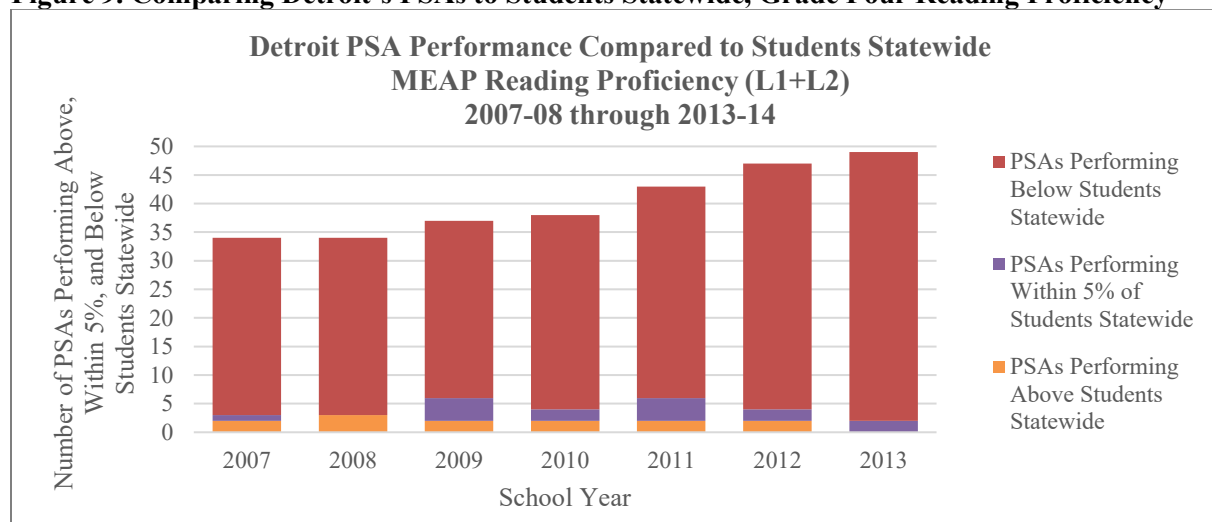
High-Performing PSAs

One way to view the highest performing PSAs in Detroit is to compare all Detroit PSAs to students statewide. Given that most PSA and DPS students are out-performed by the state, schools with proficiency levels above that of the state could be considered high-performers. To get a better picture of the highest and lowest performing PSAs, PSA (school) proficiencies were compared with students statewide to see how many PSAs were performing above, within five percent of, and below students statewide. Figures 8 and 9 show the results. For each year in both periods, the number of schools performing below students statewide makes up an overwhelming majority of the market. For 2002-03 to 2006-07, PSAs performing below students statewide, on average, made up 79.2 percent of the PSA market. For 2007-08 to 2013-14, PSAs performing below students statewide, on average, made up 89.9 percent of the market.

But, from 2002-03 to 2006-07 there is some improvement in the proportion of schools performing above, within 5 percent of, and below students statewide. By 2006-07, the number and percent of schools performing above or within 5 percent of students statewide increased from five schools (16.1 percent) to eight schools (24.2 percent); the number and percentage of schools performing below students statewide decreased from twenty-five schools (80.6 percent) to twenty-three schools (69.7 percent), a small but, perhaps, significant improvement. On the other hand, a different trend appears in 2007-08 to 2013-14; the number of high-performing PSAs – those performing above or within five percent of students statewide – does not increase over time. As shown in Figure 9, the number of PSAs in the market increases over time, but the number of high-performing PSAs (those performing above students statewide) does not increase. Even worse, the percent of high-performing PSAs decreases from 5.9 percent to 0.0%. Market theory predicts an increase in the number and percentage of high-performing schools in the market. Instead, the data shows a decrease. Detroit's PSA sector, which is dominated by low-performing schools, shows trends indicating that the market theory is not working as theorized, at least with respect to performance.

¹⁵⁵ Individual DPS school data is not provided in this analysis because DPS schools are not operating in the same manner as PSAs in terms of school closings. DPS schools have been closed under emergency management and mayoral takeover – here, a wholly different dynamic is in place that is beyond the scope of this work.

¹⁵⁶ See Chapter IV for a discussion of accountability and Michigan's charter school law.

Figure 8. Comparing Detroit's PSAs to Students Statewide, Grade Four Reading Proficiency**Figure 9. Comparing Detroit's PSAs to Students Statewide, Grade Four Reading Proficiency**

A Look at the Lowest Performing PSAs in Detroit

For each year between 2002-03 and 2013-14, all PSAs serving grade four students were split into percentiles to identify PSAs performing in the 25th percentile or lower (compared to other PSAs in Detroit). All PSAs in the first quartile performed well below DPS (district) every year. The lowest performing PSAs (those in the 25th percentile) were tracked across this period to answer the following questions:

1. On average, how many years had these schools been in operation?
2. How many PSAs remained in the 25th percentile or lower for more than one year?
3. How many PSAs performing in the 25th percentile for more than three consecutive years closed?¹⁵⁷

¹⁵⁷ Three years was picked as a cut-off because the SRO tracks schools remaining in the bottom five percent. Schools in the bottom percent of schools statewide face potential closure after three years. Michael Gerstein and Shawn D. Lewis, "24 Detroit Schools Risk Summer Shutdown," *The Detroit News*,

It's important to ask how long schools in the 25th percentile had been in operation because newly-opened PSAs may need some time to adjust. If newly-opened PSAs predominantly comprise the first quartile of schools, then this might suggest that PSAs need time to improve. If not, this might suggest that low-performing schools are remaining in operation; that is, if the first quartile of schools are predominantly composed of schools that have long been in operation, this might suggest that low-performing schools are not closing, going against the market theory. For 2002-03 to 2006-07, on average, schools in the first quartile were in operation for about five years.¹⁵⁸ Some of the lowest performing PSAs were as open for as long as nine years during this period. Additionally, for each year, only one or two schools (out of about ten) were in their first or second year of operation; this suggests that the lowest-performing schools are not newly-opened schools, but schools that have been in operation for about five years. For 2007-08 to 2013-14, on average, schools in the first quartile were in operation for about eight years. Some of the lowest performing PSAs were open as long as 18 years. On average, the number of newly-opened districts in the first quartile was about two per year. However, in 2011-12, 2012-13, and 2013-14 there were higher numbers of newly-opened PSAs in the first quartile. At the same time, some of the PSAs remaining in the market had been open for up to fourteen to eighteen years.

Out of all the schools ranked in the first quartile of PSAs, only sixteen schools appeared once, while twenty-six schools appeared in the first quartile more than once over twelve years. The twenty-six PSAs performing in the first quartile more than once were tracked from 2002-03 to 2013-14 to find the number of schools performing in the first quartile for consecutive years. The majority (17 schools, 65.3 percent) of schools appeared in the first quartile more than three times in the twelve-year span; only three of these schools closed during 2013-14. Additional findings are highlighted below:¹⁵⁹

- I. Five schools remained in the first quartile for more than five *consecutive* years; none of these schools were closed during the period in which they were tracked. All five schools remaining in the first quartile for five consecutive years had been in operation for at least fifteen years by the end of 2013-14; only one of these schools was recently closed in 2016.
- II. On average these schools remained in operation for almost twelve years (11.7) before 2013-14 or before closing.
- III. Five schools performed in the first quartile for more than seven years (total), four of these remained in the first quartile for more than seven consecutive years. Only one of these closed.

January 20, 2017, <http://www.detroitnews.com/story/news/local/michigan/2017/01/20/michigan-schools/96830684/>.

¹⁵⁸ See Appendix B, Table 12: Years in Operation: Detroit's Lowest Performing Public School Academies (PSAs)

¹⁵⁹ See Appendix B, Table 12: Years in Operation: Detroit's Lowest Performing Public School Academies (PSAs). Also, see Appendix C, Table 16: Detroit Public School Academies in the 25th Percentile or Lower for More than One Year, 2002-03 to 2013-14.

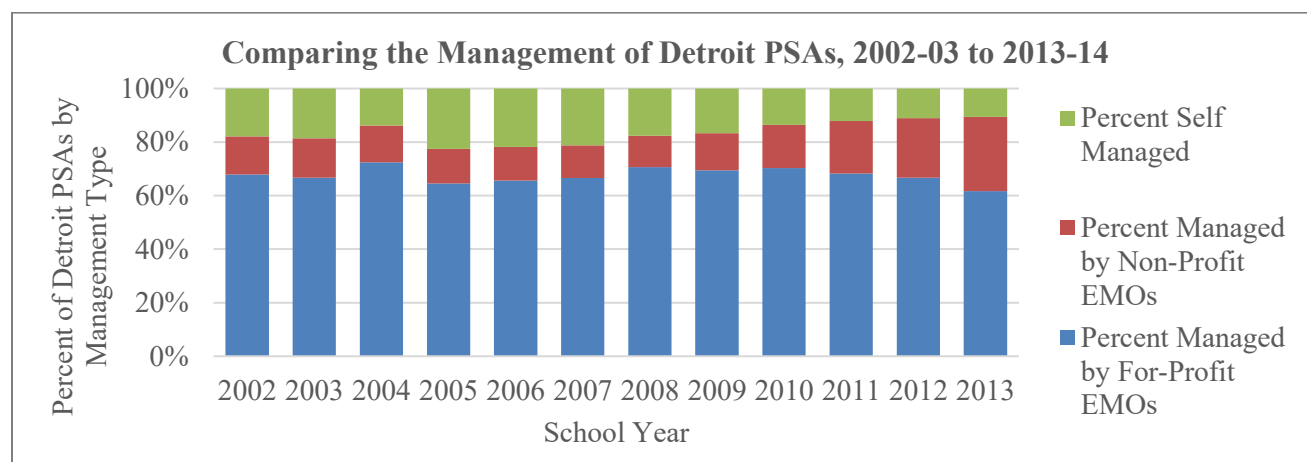
- IV. Eighteen (69.2 percent) of the schools were managed by for-profit EMOs; two (7.7 percent) were managed by non-profit EMOs; three (11.5 percent) were self-managed.¹⁶⁰

These findings suggest that low-performing PSAs (all of which perform below the state and DPS) are remaining in operation for many years. As aforementioned, authorizers have come under attack for the lack of oversight on their charters; evidence here demonstrates that authorizers are providing little oversight of low-performing PSAs, especially those who have performed in the first quartile (compared to other Detroit PSAs, most of which perform far below the state) for more than three years.

The For-Profit Charter School Industry in Detroit

Schools managed by for-profit EMOs make up a large percentage of Detroit's education market. From 2002-03 to 2013-14, on average, the percent of PSAs serving grade four students managed by for-profit EMOs is 64.0 percent.¹⁶¹ Figure 10 shows the percent of schools according to management type: self-managed (no EMO), non-profit EMO, or for-profit EMO. As shown: the percent of PSAs managed by non-profit EMOs increases; the percent of self-managing PSAs significantly decreases; and, the percent of PSAs managed by for-profit EMOs slightly decreases, but still remains the predominant management type. The decrease in self-managed PSAs may be a function of the intense competition in the market and the financial restrictions that bar many independent groups from opening charters.¹⁶²

Figure 10. Composition of Detroit's Education Market by Management Type



For-profit EMOs have set up shop in Detroit, but has the industry improved outcomes? Do profits incentivize EMOs to raise test scores as cheaply as possible while cutting a profit for themselves? In Detroit, there is little evidence to show that profits have incentivized EMOs to raise student performance. As discussed in Chapter IV, there is plenty of self-dealing, scandals,

¹⁶⁰ Three schools were managed by EMOs that could not be classified as for-profit or non-profit due to insufficient information.

¹⁶¹ See Appendix C, Table 13: Detroit Public School Academies (PSA) by Management Type (Grade Four), 2002-03 to 2013-14.

¹⁶² Addonizio and Kearney, "Charter Schools," 136.

and high rent charging in PSAs; these problems have not come to light through state oversight, but rather through investigative journalism, predominantly by the *Detroit Free Press*. Overall, there has been little achievement in the education market overall, despite the influx of for-profit management companies.

Is the For-Profit Sector Making a (Positive) Contribution?

To determine whether the drive for profits incentivizes PSAs to increase performance, the highest- and lowest-performing PSAs were categorized by management type to identify trends. Naturally, as predicted by market theory, PSAs run for profit should show better performance than other PSAs in the market; some advocates argued that allowing schools to compete for profits would increase the performance and the efficiency with which educational services are provided. However, this analysis shows that this connection is weak and what follows is a data presentation of PSA performance. In this analysis, PSAs are split into quartiles of the highest and lowest PSAs (relative to other Detroit PSAs). Then, PSAs within the 25th (lowest performing) and 75th (highest performing) percentiles were classified as for-profit, non-profit, or self-managed to discern any differences in the representation of for-profits in the lowest and highest performing PSAs compared to their representation in the overall market.

If the profit-incentive was working to increase the performance of for-profit PSAs, we would expect that, compared to their overall representation in the market, there is a higher percentage of for-profit PSAs in the 75th percentile. Similarly, we would expect that, compared to their overall representation in the market, there is a lower percentage of for-profit PSAs in the 25th percentile. In Detroit's education market this is not the case. Compared to the overall representation of for-profit PSAs in the market there is a *higher* representation of for-profit PSAs among the *lowest* performing PSAs; in eight of the twelve years, the percent of for-profit EMOs performing in the 25th percentile was greater than the percent of for-profit PSAs overall.¹⁶³ Similarly, compared to the overall representation of for-profit PSAs, there is a *lower* representation of for-profit PSAs among the *highest* performing PSAs; in nine of the twelve years, the percent of for-profit PSAs performing in the 75th percentile was less than the percent of for-profit PSAs overall.¹⁶⁴

Yet, what are the odds that for-profit PSAs are *overrepresented* in the 25th percentile or *underrepresented* in the 75th percentile for most of the twelve-year span? If such an occurrence were purely random, then for-profit PSAs would likely be distributed among the highest and lowest performing PSAs proportionately. For instance, if 75 percent of the PSAs in the overall market are for-profit, it is highly likely that about 75 percent of the PSAs in the 75th and 25th percentiles would be for-profit PSAs. To test whether the overrepresentation and underrepresentation in the 25th and 75th percentiles is random, the probability of seeing frequencies over many years was calculated. This can be thought of as a coin-flip, where there is a 50 percent chance of the coin landing heads or tails up.¹⁶⁵ Imagine flipping a coin twelve times;

¹⁶³ See Appendix C, Table 14: Highest Performing PSAs in Detroit by Management Type, 2002-03 to 2013-14

¹⁶⁴ See Appendix C, Table 15: Lowest Performing PSAs in Detroit by Management Type, 2002-03 to 2013-14

¹⁶⁵ John Walker, "Introduction to Probability and Statistics," *Fourmilab*, accessed April 14, 2017, <https://www.fourmilab.ch/rpkp/experiments/statistics.html>.

with each flip, it is entirely random whether the coin lands on heads or tails. But, it is unlikely that the coin will land on heads many more than six times (out of twelve); as such, there is an even smaller likelihood of the coin landing on heads eight times, and so on.

Over twelve years, what is the probability of for-profit PSAs being underrepresented in the 75th percentile for nine years and overrepresented in the 25th percentile for eight years? These probabilities were calculated by using the following formula, where x is the number of years in which PSAs were overrepresented or underrepresented (eight or nine, respectively) and n is the total number of years:¹⁶⁶

$$\frac{\binom{n}{x}}{2^n} = \frac{n!}{2^n x!(n-x)!}$$

The probability that the frequent underrepresentation of for-profit PSAs is random is low, at 5.3 percent. The probability that the frequent overrepresentation of for-profit PSAs is random is also low, at 12.1 percent. These results indicate that it is unlikely that for-profits are *randomly* underperforming. If anything, for-profit PSAs are certainly not over performing. This goes to show that the profit-incentive has little influence on the performance of PSAs in Detroit.

¹⁶⁶ Ibid.

CHAPTER VI: LEARNING FROM DETROIT'S EDUCATION MARKET

What is wrong with Education Markets?

Lessons Learned

Competition was supposed to help all Detroit's students obtain access to quality schools. Instead, it exacerbated chaos for everyone involved, while allowing many outside EMOs to enter the market, reap profits, and make lucrative deals, all the while Detroit's students remain far behind students statewide. By definition, charter schools were supposed to be held to *higher* standards due to the academic, fiscal, and governing autonomy they are given. Indeed, that was the point of being chartered in the first place, as Miron describes it as a "bargain": charters receive autonomy in return for performance and innovation.¹ Clearly, the charter schools in Detroit are not being held accountable for performance and show little innovation with regard to learning and school organization; yet, we do see innovation and high spending in rapacious marketing practices, which is unlikely to (and has not) improved student outcomes. In what follows I describe the lessons learned from twenty years of competition, parental choice, charter schools, and state control, and how these features and outcomes create a dysfunctional education system that systematically leaves Detroit's students behind, especially the most vulnerable.

Parental choice has produced the outcomes theorized by Chubb and Moe, Friedman, and Governor Engler. Originally, choice was supposed to improve the overall market, whether in terms of performance, quality, or parental satisfaction; the use of parental choice over two decades demonstrates that the intended results have not been achieved. In terms of the utility of choice, no exact measure can be taken of the harm and good it has achieved for Detroit's students, but a large body of evidence on student mobility suggests it has created more disruption than improved results. Detroit parents face many barriers to exercising informed and meaningful choice: lack of information on charter schools, inaccessibility due to locational patterns and transportation, and lack of services for special education students. Given the influx of charter schools (increasing supply) and the high *unmet* demand in Detroit, parental choice seems relatively powerless in enacting positive change in Detroit's education system with regard to location disparities, transportation gaps, and the lack of special education services. Instead, authorizers located outside Detroit – some as far as four-hundred miles away – have greater voice and authority in the provision, management, and oversight of schools.

On the other hand, choice has been extremely powerful in enacting destructive change due to what Hammer labels, the "zero-sum game incentives of Proposal A."² When a large number of parents exercise choice in the local education market – alongside population decline – the effect on traditional public school systems like Detroit Public Schools is powerful and destructive.³ The massive exodus from Detroit Public Schools – alongside population decline –

¹ Gary Miron and Christopher Nelson, *What's Public About Charter Schools? Lessons Learned About Choice and Accountability* (Thousand Oaks, CA: Corwin Press, 2002), 3.

² Hammer, "The Fate of the Detroit Public Schools," 145.

³ *Ibid.*

As aforementioned, the fiscal pressures created by competition and choice have been well-documented by Hammer (2011), Arsen and Ni (2012), and the Citizens Research Council of Michigan (2016).

demonstrates the power of parental choice as reflected in its falling enrollments and, thus, decreasing revenues and remaining fixed costs. The exacerbation of fiscal stress in DPS undoubtedly harms its remaining students; hence, parental choice and Proposal A make for a zero-sum game in Detroit. With each student that leaves the district, the pool of revenue shrinks more and more while fixed costs remain essentially the same.⁴ This is problematic, given that a relatively high percentage of the students remaining in DPS are special education students; if the district fails to remain fiscally viable, how are these students going to receive the services they need? While DPS has been heavily affected by the fiscal stresses of competition, some PSAs may face problems soon enough if there is an oversupply of schools and substantial PSA enrollment decline.

In terms of the supply or provision of schools, the process is vastly uncoordinated and the rules are not the same for DPS, PSAs, and the EAA. As discussed, many DPS schools were closed under emergency management; as with the closing of Oakman Elementary, we lack evidence that the closing process has accounted for the needs of students, enrollment patterns, and parental satisfaction.⁵ In addition, low-performing PSAs have remained in the market and been subject to little oversight. Charter authorizers have exercised little accountability for PSAs, especially those that are low-performing or involved in illegalities, self-dealing, and scandals. Given the unmet demand for quality and higher performing schools, how will the uncoordinated education market fulfill this demand? The market theory prescribes *more* school closings and openings, which would likely bring more entropy and disruption into an already-chaotic school system.⁶

As for the profit-incentive, Detroit demonstrates that profits and choice are no panacea. There is a high representation of for-profit charter schools in the lowest-performing charter schools and a low representation of for-profit charter schools in the highest-performing charter schools, demonstrating two things. First, the profit incentive does not increase the performance of schools. Second, many for-profit companies are making a profit off low-performing schools serving disadvantaged students. Ultimately, this may be likened to scamming or taking advantage of impoverished and disadvantaged students and parents. EMOs may be taking advantage of information asymmetry and the fact that some parents may have no other accessible options. Even worse, the exact level of self-dealing and potential illegalities occurring in PSAs is unknown, since many for-profit EMOs refuse to provide information on how they spend public funds.⁷ DPS, as a public institution, must be transparent in how it spends funds and is subject to the Freedom of Information Act (FOIA). In contrast, since EMOs are considered “private

⁴ Ibid.

⁵ See Chapter V for a discussion of the closing of Oakman Elementary. This is only one case so this does not imply that closings did not account for the needs of students. More investigation is needed into the school closings occurring under emergency management since Pedroni uncovered the unsubstantiated claims used to close the school. The concern is that the district may have used unsubstantiated claims to close other schools.

⁶ We could envision a conversion of low-performing schools into different management types (self-managed) or a transfer back into Detroit Public Schools; arguably, this could bring more quality-control into the system and ensure that schools are located where they are actually needed.

⁷ Education researcher Gary Miron (2002, 2009, 2013) and the *Detroit Free Press* have had trouble accessing information detailing how for-profit EMOs have spent public funds.

companies or organizations” they are not subject to the FOIA and are not required to respond to requests for information.⁸ The use of private, for-profit EMOs raises questions about the publicness of PSAs that are entirely run by EMOs.⁹ PSAs entirely by for-profit EMOs make it incredibly more difficult to obtain information compared to public institutions such as the EAA or DPS. How can for-profit PSAs – which often have multiple conflicts of interests between EMOs and the so-called “independent” charter boards – remain accountable if the public lacks the right to access information about the use of public money?

On the other hand, public institutions such as the EAA and DPS have had their role in the corrupt use of funds intended for Detroit’s students. The Education Achievement Authority (EAA), ran by the state, has been involved in profit-seeking by deciding to try out a completely new software system that was developed by a for-profit corporation and marketed by another called “Buzz,” which has been described as a “badly flawed product being pitched as cutting-edge technology.”¹⁰ The introduction of Buzz, however, involved multiple conflicts of interests and potential self-dealing between Governor Snyder, the EAA’s Chief Officer of Accountability Equity, and Innovation, and Agilix (the company offering Buzz).¹¹ This conflict of interest was uncovered by Pedroni through the strategic use of FOIA requests. Furthermore, DPS, under emergency management, has also been involved in many corrupt deals as well. Many principals were involved in kickback schemes using fake invoices to receive money from vendors.¹² In any case, regardless of the institution making profits off of Detroit’s students, and using public funds to do so, is an unjustifiable and unjust practice.

Overall, is Detroit’s education market providing equitable and accessible schools for all students? Over the past two decades, it’s clear that the market has failed to equitably provide schools that are accessible. After a flood of reforms in Detroit – the introduction of charter schools, the establishment of the EAA, and the emergency management of DPS – the education market is largely dysfunctional. Tooley argues that the unpredictability of markets does not stop consumers from going to grocery stores or buying everyday commodities and, thus, should not stop us from creating markets for education. Detroit, however, throws doubt on this argument; student mobility, school closings, scandals, and the lack of accessible and quality schools, demonstrate that the unpredictability of education markets may be a very good reason to, at the very least, regulate markets. All Detroit’s schools must – and eventually will – face the realities of allocating scarce and declining resources to educate impoverished students. Given the steady

⁸ Gary Miron and Charisse Gulosino, “Profiles of For-Profit and Nonprofit Education Management Organizations: Fourteenth Edition 2011-2012,” (Boulder, CO: National Center for Education Policy, 2013): 3, <http://nepc.colorado.edu/publication/EMO-profiles-10-11>.

⁹ Miron and Nelson explore this question in *What’s Public About Charter Schools? Lessons Learned about Choice and Accountability*. As they argue, PSAs in Michigan are not reflective of traditional understandings of public institutions. PSAs are more reflective of *functionalist* definitions of publicness, where a public school is not public by virtue of lines of authority and chains of influence, but by whether it performs important public functions” (195).

¹⁰ Curt Guyette, “The EAA Exposed: An Investigative Report,” *Detroit Metro Times*, September 24, 2014, <http://www.metrotimes.com/detroit/the-eaa-exposed-an-investigative-report/Content?oid=2249513>.

¹¹ *Ibid.*

¹² Tresa Baldas, “Corruption Schemes Ran Deep at DPS,” *Detroit Free Press*, May 7, 2016, <http://www.freep.com/story/news/local/michigan/detroit/2016/05/07/corruption-schemes-ran-deep-dps/83932126/>.

“dismantling” of DPS, Hammer questions: “[w]ho will take responsibility when the last [Detroit] public school in the city is closed?”¹³ This raises the question of *who* is responsible for providing equitable education? Charter schools have not demonstrated the ability to serve all students. At this rate, it’s unlikely, and maybe impossible, that DPS alone will prop the system up. Responsibility for providing, managing, and regulation public education has been scattered with few effective safeguards in place. Thus, the question stands: who is responsible and who will take responsibility for providing adequate educational opportunities to Detroit’s students?

Is Detroit’s Education Market Noxious?

Recall Satz’ criteria for a noxious market; Satz argues that markets with the following outcomes and characteristics are noxious: (i) harmful outcomes for some individuals; (ii) harmful outcomes for society; (iii) weak agency of participants and/or asymmetric knowledge; (iv) vulnerable agents. In terms of conditions (i) and (ii), Detroit’s education market has produced harmful outcomes for Detroit’s parents and students and harmful outcomes for society. In terms of conditions (iii) and (iv), Detroit’s education market is characterized by very weak agency with regard to Detroit’s parents and students given their limited ability to make decisions in the market and information asymmetries. What follows is a discussion of the extent to which Detroit’s education market reflects these characteristics and has produced these outcomes.

Harmful Outcomes for Individuals and Society

Any educational system that fails to provide adequate opportunities for the most disadvantaged students is, in turn, undermining the ways in which individuals may relate to one another as equals. Education is a good that ought to be adequately provided to all students, regardless of race or socioeconomic status. Many African American and Hispanic students in Detroit have been effectively denied this prior to and after the influx of charter schools, mayoral control, and emergency management. Frequent school closings and openings, teacher turnover, high mobility rates, and the low performance of the schools demonstrate that the market has not been conducive to a stable and effective learning environment. As such, this produces harmful outcomes for Detroit’s students. Given that Detroit’s students are not afforded a good necessary for full participation and equal standing in society, the education market undermines the framework necessary for people to interact as equals. In addition, poorly-educated citizens are harmful to democratic governance. As Satz’ notes, education is necessary to turn students into “citizen[s] who can participate competently and meaningfully in democratic self-governance.” If the system fails to provide students with adequate opportunities, it is unlikely that they will be able to join the elites of society and act as “co-deliberants and co-participants in making the laws that apply to themselves.”¹⁴ Thus, the inadequate distribution of educational opportunities to many socioeconomically disadvantaged students living in Detroit and is harmful to society at large.

¹³ Hammer, “The Fate of the Detroit Public Schools,” 153.

Kang, “The Dismantling of an Urban School System: Detroit, 1980-2014.”

¹⁴ Satz, *Why Some Things Should Not Be For Sale*, 95.

Anderson, “Fair Opportunity in Education: A Democratic Equality Perspective.”

Weak Agency and Vulnerability

Many parents have a very limited ability to exit due to transportation problems, lack of information about charter schools, and the highly-complex market composed of over fifty different school districts. Regardless of the education status of parents, it's difficult for education researchers to navigate this system and understand the many different school providers available. In addition, the lengthy application of many charter schools and the different deadlines may be functioning as a barrier. For parents dealing with poverty, navigating the system is presumably even more difficult, given the stressors involved with poverty.¹⁵ Many parents left DPS with the hope that charter schools would provide better educational opportunities; but, until parents enroll their child in a school, they cannot find out the quality of that school.

As aforementioned, the high representation of for-profit charter schools in the 25th percentile indicates that some charter schools might be taking advantage of the fact that: some parents have no other accessible school options, do not know about the low performance of the school, and/or do not know the charter school is managed by a for-profit company. In this manner, charter schools may be taking advantage of the information asymmetries and vulnerabilities of students and their parents.¹⁶ Here, it's clear that parents and students desperate for a better school are at a much greater risk of being exploited. Indeed, some parents have reported that charter schools enticed them with gift cards and raffle tickets for enrolling their child.¹⁷ In effect, Detroit's parents have poor information about the PSAs they may enrolling their child in. Furthermore, their decision-making is very limited with respect to the market, due to transportation gaps and the inaccessibility of schools. These conditions indicate that many parents have weak agency in the education market and suffer from information asymmetry.

Regulation or Abolition?

Do the dismal results of education markets in New Orleans and Detroit entail that markets are inherently flawed as vehicles for the provision of educational opportunities? Not necessarily. Market structures and outcomes may widely vary across different contexts. *In principle* markets may be great tools for advancing adequate educational opportunities to all students. Yet, this is where the arguments on both sides of the debate are not constructive in producing solutions that will end the educational injustice faced by too many children. Using *ideal conceptions of democracy to prove that either real or ideal markets are bad* fails to provide us with constructive solutions. Instead, we must look at *real education markets* and *real democratic education systems* to see what works and what doesn't.

¹⁵ This is not to say that parents in poverty are not resourceful. To the contrary, many of the parents in Detroit I've met are very resourceful and do their best to find a quality school. The system is complicated and takes a while to figure out. When your child's education is at stake, finding a good school is an urgent matter; many parents struggle with the school system because of the lack of information and other barriers.

¹⁶ Alternatively, parents may like the school administration or the unique services offered and not place great emphasis on performance (measured by standardized tests).

¹⁷ Zernike, "A Sea of Charter Schools in Detroit Leaves Students Adrift."

As for real education markets, the data does not lie: those operating in segregated and unequal contexts demonstrate that markets are no “panacea.” Inferior educational opportunities – like those offered in Detroit’s and New Orleans’ education markets – fail to prepare students with the potential to succeed in higher education. If students are not afforded ample opportunities, the organization of education must be altered accordingly. This is especially the case for groups that have experienced historical segregation and disadvantage over time; inferior educational opportunities only perpetuate – and, perhaps, intensify – this disadvantage. The education market in Detroit demonstrates that, at a minimum, regulation is necessary for adequate provision of educational opportunities. At the very minimum, regulation would need to address the following issues: a lack of oversight on the activities of for-profit EMOs and charter school boards; fragmentation of governance and provision; accessibility barriers for parents; accountability for charter school performance; investigation into special education services in charter schools. More ambitious reforms might include adjusting the way schools are funding to protect students left in schools with falling enrollments.

Revisiting Arguments for Market-Based Education

Chubb and Moe’s argument for market-based education provision in *Politics, Markets and America’s Schools* was largely an abstract account of the way in which government provision works and failed to account for the vast socioeconomic disparities that exist across school districts in the United States. Chubb and Moe blamed bureaucracy – broadly defined – as the root of all ills in America’s education system. Yet, it’s clear that democratic control and bureaucracy are not the *causes* of ineffective, low-performing schools. Ironically enough, the charter school industry in Michigan is overwhelmingly composed of EMOs that do, in fact, have organizational structures, or bureaucracies.

A Last Word on the Neoliberal Argument

Recall that the neoliberal argument held that efficiency was the main justification for the use of markets in education. Since markets are more efficient in the delivery of services and commodities, they ought to be applied to education. As it turns out, “market forces” are complicated and depend on the rules in place and the social context in which they are applied. As argued in Chapter V, the way in which Detroit’s education market was structured is inefficient, according to a few different bottom-lines: performance, parental satisfaction, and directing resources to the classroom. Furthermore, the profit-incentive played little role in driving innovation and performance. Not only is Detroit’s education market inefficient, but it is largely dysfunctional due to the way it is structured.

The neoliberal argument, especially, misses the fact that markets for schools are different from markets for apples in important ways. Switching suppliers for apples in no way imposes as great a cost as switching schools. Student mobility is harmful to the mobile student and students already enrolled; these effects are amplified in systems with high mobility rates across the student population. In addition, it’s easy to judge the quality of an apple, but remains vastly difficult and controversial to judge the quality of a school. Schools are complex and ought to serve many purposes, not just a single bottom line (i.e., test scores or parental satisfaction). Any system that seeks to achieve a single bottom line as efficiently as possible may succeed in

efficiency but will fail to provide important services for students with unique needs and neglect other important aspects of education such as physical education, social and emotion development, arts and music classes, and establishing relationships with teachers. It's clear that neither bureaucracy nor over-regulation is the source of the problem in Detroit. In addition, democratic control cannot be the source of the ills in DPS during this time since DPS was under intense state control from 1999-2005 and 2009-2017.¹⁸

A Last Word on the Libertarian Argument

The libertarian argument's justification for education markets rests on negative freedom, or the absence of coercion. Parental choice was meant to give parents greater *control* over their education by offering more choices in the schools their child could attend. As I have argued in Chapter V, parental choice does not guarantee that quality choices are accessible; many parents in Detroit cannot access high-performing schools to begin with. The libertarian might respond that, regardless of the consequences, choices have been provided to Detroit's students. It may be conceded that a small proportion of Detroit's students have obtained access to higher-performing schools or schools providing educational services not offered prior to the entry of charter schools.¹⁹ As discussed in Chapter V, there are a few high-performing charter schools, so some students attending these schools may be better off than they previously were. In addition, some mission-oriented charter schools may be providing unique, community-based education, although to claim that DPS has not offered unique education services in the past is false.²⁰ While there are some high-performing and community-based schools, the education market is largely dysfunctional with regard to providing accessible options to the overwhelming majority of Detroit's students. Detroit's students have many choices, indeed, but the sheer *number* of choices fails to reflect the *actual* choices that are accessible to Detroit's students. Both the accessibility and quality of choices matters. Parents and students do not benefit from access to a wide range of poor options; instead, they need access to high quality options. Hence, negative liberty, or the freedom to choose does not translate into meaningful and accessible choices. Furthermore, negative liberty is not sufficient in guaranteeing that students are afforded adequate educational opportunities, a consequence of which has serious implications. Focus on enlarging negative liberty fails to account for the fact that market structures may afford people "a minimal and degenerate form of freedom" or independence.²¹ As evidenced, parents have little control over the choices they have been presented with and, if trapped in an education desert, have even fewer choices. Poor educational opportunities are unlikely to grant students an equal status in a democratic society. Why set up students to fail for the sake of "freedom" or choice?

¹⁸ A publicly-elected school board regained control of Detroit Public Schools in the beginning of January 2017.

¹⁹ For instance, the James and Grace Lee Boggs School was founded with the help and inspiration of Detroit-based activists James and Grace Lee Boggs; the school's mission is to "nurture creative, critical thinkers who contribute to the well-being of their communities" "Mission & Core Ideology," *The James and Grace Lee Boggs School*, accessed April 17, 2017, <http://www.boggschool.org/mission-core-ideology>.

²⁰ See Chapter II. DPS established dual-language programs and afro-centric education programs for its Hispanic and African American communities prior to the influx of charter schools.

²¹ Satz, *Why Some Things Should Not Be For Sale*, 26.

The Big Picture: Education Inequity in Michigan

Michigan's "Solution" For High-Poverty Communities: Charter Schools and Choice

One fact that cannot be ignored is that not all districts across Michigan have been subject to the chaos of market-oriented reforms. Many of Michigan's high-performing districts are traditional public school districts, governed by a democratically-elected school board. Some even opt out of school choice. Meanwhile, charter schools have been sold as a "panacea" to low-income communities in Michigan, including: Detroit, Flint, Grand Rapids, Pontiac, and Lansing. In fact, charter schools educate 47 percent of Flint's students and 31 percent of Grand Rapids' students; nationally, Flint ranked third and Grand Rapids ranked ninth in the nation for highest enrollment share.²²

In Detroit, the rules are not fair; Detroit's citizens have been stripped of their right to democratically control their schools as a result of mayoral control, emergency management, the state-controlled Education Achievement Authority, and an unaccountable charter sector.²³ They exercise little control over these institutions with few channels for redress. Further to claim that Detroiters "cannot manage" their schools is a falsehood, as Pedroni and Twomey explain:

Detroiters remember that before the succession of state interventions started in 1999 DPS had a \$93 million dollar operating surplus, enrollment over 173,000, and academic gains. Six years of emergency management from Lansing since 2009 has widened the performance gap between Detroit's students and their Michigan counterparts; enrollment has plummeted; and the district's operating deficit and long term debt have smashed all previous records²⁴

As discussed, state intervention has done little to help DPS. Charter schools haven't helped either. Creating a fragmented system in the midst of population decline is a clear recipe for disaster. Detroiters are not to blame for such an occurrence, for they have had little say in the matter due to state control and little charter school accountability. So, it stands: why do citizens in Grosse Pointe, Ann Arbor, Birmingham, and other affluent locales have the right to democratically control their schools while Detroit does not? Why haven't other districts been subject to an influx of charter schools and intense competition?²⁵ When competition creates "winning" and "losing" schools, we must not forget that we also create students who are "winners" and "losers," and perpetuate unequal social relations between citizens. Such a

²² "A Growing Movement: America's Largest Charter School Communities, Tenth Annual Edition," (Washington D.C.: National Alliance for Public Charter Schools, 2015): 3, <http://www.publiccharters.org/publications/enrollment-share-10/>

²³ I credit Leanne Kang for her work on these reforms and the resulting breakdown of local, democratic control of Detroit's schools

Kang, "The Dismantling of an Urban School System: Detroit, 1980-2014."

²⁴ Thomas C. Pedroni and Karen D. Twomey, "Detroit Schools Plan Shows Lack of Faith in Democracy," *Detroit Free Press*, October 31, 2015,

<http://www.freep.com/story/opinion/contributors/2015/10/31/detroit-schools-plan-shows-lack-faith-democracy/74878932/>.

²⁵ Some high-performing districts do have charter schools but the number and proportion of charter schools is nowhere near the number and proportion in Detroit or other low-income communities.

dynamic has no place in the just provision of educational opportunities in a truly-democratic society. Subjecting our most disadvantaged students to competition, while shielding our more advantaged students from its effects is clearly unfair and unacceptable.²⁶

Voice and Coalition-Building: A Proposed Solution

More recently, Detroiters have tried to address some of these problem via coalition-building.²⁷ In 2015, the Coalition for the Future of Detroit Schoolchildren made recommendations for the improvement of education. The Coalition included representatives from various groups involved in education in Detroit, including: the Skillman Foundation, the NAACP, the AFT, charter school board members, Wayne RESA, state legislators, teachers, church leaders, principals, Excellent Schools Detroit, a former Emergency Manager, General Motors, and community organizations.²⁸ Some of the recommendations provided by the Coalition are listed below:²⁹

- i. State assumption of the DPS debt
- ii. Returning DPS to the governance of a publicly-elected school board
- iii. Charter authorizer adoption of best practices for authorization as suggested by the National Charter School Authorizers
- iv. Authorizer safeguards for charter school board independence
- v. State provided three-year budget projections to school districts “accounting for demographic trends, and provide step-down funding to shrinking districts as they manage fixed cost reductions”
- vi. Imposition of the same financial transparency standards to all school districts *and* educational management companies (EMOs)
- vii. The creation of a nonpartisan legislative body – the Detroit Education Commission (DEC) to “coordinate and rationalize citywide education functions for all Detroit schoolchildren” and “set and hold all schools to the same standard.” In addition, the DEC would identify low-performing authorizers and prevent them from opening new schools in Detroit
- viii. Participation of all schools in a citywide data and enrollment system to track chronic absenteeism and suspension and expulsion data
- ix. The creation of neighborhood transportation systems

²⁶ This is not to say that choice and competition ought to be applied to all districts. The point is that Detroit residents have been stripped of local control of their schools, while other districts have not. Hammer argues that high-spending wealthy districts were “held harmless” with the passage of Proposal: “The gap has been narrowed by placing a soft cap on the allowance of higher spending school districts, while seeking to raise the floor on the lower spending districts. As a result, the gap in the foundation allowance has been reduced from \$2,300 in FY1995 to \$1,277 in FY2007. The actual disparity is greater when one considers that the highest spending districts in 1994 were ‘held harmless’ and are able to spend greater amounts than the state allowance, financed through local property taxes” Hammer, “The Fate of the Detroit Public Schools: Governance, Finance and Competition,” 127.

²⁷ Thank you to Professor Hammer for discussing the coalition with me. I credit Hammer with describing this as an instance of “coalition-building.”

²⁸ Coalition for the Future of Detroit Schoolchildren, “The Choice Is Ours,” 2015, <http://choiceisoursdetroit.tumblr.com/report>.

²⁹ Coalition for the Future of Detroit Schoolchildren, “Official Recommendations,” 2015, <http://choiceisoursdetroit.tumblr.com/recommendations>.

x. Citywide coordination and consolidation of special education and bilingual services

In 2016, a bipartisan Senate plan included a centralized commission like the one proposed by the Coalition that would have authority over where charters open and operate.³⁰ But, House and Senate Republicans and charter school advocates were opposed to the Senate plan. In fact, former Governor John Engler – the governor who crafted Michigan’s charter school policy – criticized the creation of an education commission claiming that any attempts to limit charter schools were “morally wrong.”³¹ Here, Engler’s claim that it is morally wrong to regulate charter schools undeniably links back to his faith in the ability of free markets to bring about efficiency and high performance in low-performing schools.³² In response, I would contend that it’s morally wrong to provide students with vastly inferior educational opportunities and allow companies to profit off this injustice.

Despite the support of Detroit’s parents, a wide array of community groups in Detroit, Mayor Duggan, Detroit legislators, and some charter schools the proposed DEC did not make it through the House. In June 2016 Governor Rick Snyder signed a bill from the House including a \$617 million bailout for Detroit Public Schools without the proposed commission.³³ A bailout is unlikely to improve the dysfunction created by Michigan’s charter school law, Proposal A, and the rules governing the market. When the House bill was passed, there were no Detroit legislators in the room.³⁴ Yet again, the voices of Detroiters were ignored by lawmakers.

³⁰ Ann Zanwieski, “Education Coalition: Centralize Detroit’s Public School System,” *Detroit Free Press*, August 15, 2016, <http://www.freep.com/story/news/local/michigan/detroit/2014/08/15/education-coalition-calls-for-sweeping-changes-in-detroits-education-system/14146829/>.

Jonathan Oosting, “Detroit School Rescue Hinges on Charter School Rules,” *The Detroit News*, 2016, <http://www.detroitnews.com/story/news/politics/2016/06/08/split-gop-senate-chief-talks-dps/85603004/>.

³¹ Richard Burr and Chad Livengood, “Engler: ‘Morally Wrong’ to Limit Charter Schools,” *The Detroit News*, October 4, 2016, <http://www.detroitnews.com/story/news/politics/2016/06/02/engler-detroit-school-group/85319898/>.

³² Goenner’s account of the origins of Michigan’s charter school law describes how Engler “came to see charter schools as a way he could leverage his faith in choice and competition as a means for dealing with the problems and inequalities he saw in Michigan’s educational system” (Goenner, “The Origination of Michigan’s Charter School Policy,” 146-47).

³³ David Eggert, “Michigan Governor Rick Snyder Signs \$617M Detroit Schools Bailout,” *Detroit Free Press*, June 21, 2016, <http://www.freep.com/story/news/education/2016/06/21/michigan-governor-rick-snyder-signs-617m-detroit-schools-bailout/86202378/>.

In March 2016, Excellent Schools Detroit launched a common enrollment system for Detroit’s charter schools

Ann Zanwieski, “Common Enrollment System Launches in Detroit Today,” *Detroit Free Press*, March 30, 2016, <http://www.freep.com/story/news/education/2016/03/30/detroit-common-enrollment/82337646/>.

³⁴ Stephen Henderson, “DeVos Family Showers GOP with Contributions After DPS Vote,” *Detroit Free Press*, November 23 2016, <http://www.freep.com/story/opinion/columnists/stephen-henderson/2016/09/03/charter-devos-money-michigan/89774760/>.

Kathleen Gray, “Legislature OKs \$617M Detroit Public Schools Rescue Plan,” *Detroit Free Press*, June 2016.

Kim Russel, “Detroit Senators Say They Are Locked Out of DPS Legislation Negotiations,” *WXYZ Detroit*, June 2016.

Is Democracy the Problem or the Solution?

Two of largest education markets in the U.S. – New Orleans and Detroit – teach us some important lessons about the use of markets as a solution to low-performing school systems. In theory, markets were supposed to work as the “panacea” for disadvantaged students. In practice, they have created a largely-dysfunctional school system that has failed to increase educational opportunities for *all* Detroit students. Are these failures a function of faulty theory or policy? To a great extent Michigan’s charter school law and Proposal A reflected the theories put forward by Chubb and Moe and other charter school advocates. Governor Engler aimed to create an educational marketplace and he succeeded in doing this in Detroit. Yet, he failed in bringing about a “renaissance of public education” in the city where charters and Proposal A have had the greatest impact.³⁵ Meanwhile, many of the highest-performing districts in the state remain under the control of locally-elected school boards.³⁶ Detroiters have been stripped of this right after mayoral control and emergency management.

It’s clear that the dysfunction and chaos Detroit students have been subjected to is largely a function of *policy based on idealistic theories* (i.e., the theory of the free market). While it might not hammer the final nail into the coffin of “free” market theory, it demonstrates the danger of prescribing policies based on ideal principles: these policies have serious consequences for some of the most disadvantaged students. Anderson describes a consequence of using ideal theory to assess problems in the real world: “we risk leaping to the conclusion that any gaps we see between our ideal and reality must be the cause of the problem in our actual world, and that the solution must therefore be to adopt policies aimed at directly closing the gaps.”³⁷ Indeed, looking forward, policies cannot be designed to close the gap between Detroit’s education market and the idealized (and nonexistent) free market, nor can they be designed based on naïvely-conceived democratic ideals. Looking at idealized versions of democracy, or voice, also fails to tell us how we might go about improving Detroit’s education system and alleviating present injustices. Instead of focusing on the merits of democracy, we ought to explore the ways in which democracy is undermined and the ways it might be strengthened. John Dewey famously wrote that the “cure for the ailments of democracy is more democracy.”³⁸ The ideals of democracy may seem promising, but that is all they will be – unfulfilled promises – unless we can explore how democracy can be made to work for disadvantaged students in segregated communities.

³⁵ John Engler, “To Strengthen the Family of Michigan,” State of the State Address (January 18, 1994), http://www.michigan.gov/formergovernors/0,4584,7-212-31303_31317-1987--,00.html.

³⁶ Michigan Department of Education, “2013-14 Top to Bottom List,” (August 6, 2014), http://www.michigan.gov/documents/mde/2013-14_TTB_Rankings_465183_7.pdf.

³⁷ Elizabeth Anderson, *The Imperative of Integration* (Princeton, NJ: Princeton University Press, 2010), 13.

³⁸ John Dewey, “Search for the Great Community,” in *The Public and Its Problems: An Essay in Political Inquiry*, ed. Melvin L. Rogers (Pennsylvania State University Press, 2012), 121.

APPENDIX A: Enrollment and Supply in Detroit's Education Market

Table 1. Student Populations Across Different Education Providers, Fall 2002-13¹

Year	Students Living in Detroit	Students in DPS	Students in Schools Other than DPS	Students in Detroit PSAs	Students in Other TPS (Choice)	Students in PSAs Outside Detroit	Students in Nonpublic Schools	Students in EAA
Fall 2002	196,638	166,498	30,140	15,453	7,753	6,874	60	*
Fall 2003	187,873	153,034	34,839	17,551	8,558	8,613	117	*
Fall 2004	180,750	141,406	39,344	18,831	9,107	11,270	136	*
Fall 2005	175,826	131,568	44,258	22,020	8,789	13,311	138	*
Fall 2006	163,761	114,401	49,360	23,678	10,559	14,987	136	*
Fall 2007	153,189	102,494	50,695	24,011	12,326	14,247	111	*
Fall 2008	143,182	91,827	51,355	24,766	12,100	14,370	119	*
Fall 2009	142,182	87,877	55,054	26,680	12,923	15,178	273	*
Fall 2010	131,952	75,263	56,689	28,448	11,873	16,120	248	*
Fall 2011	124,612	66,132	58,480	31,024	10,407	16,827	222	*
Fall 2012	124,014	51,217	72,797	35,462	10,111	17,149	1,055	9,020
Fall 2013	119,658	50,511	69,147	35,163	8,718	17,678	1,180	6,408

Table 2. Market Share of Detroit Resident Students Across Education Providers, 2002-13²

Compares different education providers' market share of students living in Detroit. Market share is the percent of Detroit's student population enrolled at a certain education provider, such as DPS, TPS, or PSAs. Market share is found by dividing the number of students enrolled at certain education provider (e.g., DPS, Detroit PSAs) by the number of students living in Detroit.

Year	DPS Market Share	Detroit PSA Market Share	EAA Market Share ³	Other TPS Districts' Market Share	PSAs' Outside Detroit Market Share	Public Schools' Outside Detroit (PSAs, TPS-Choice) Market Share	Nonpublic Schools' Market Share
Fall 2002	84.67%	7.86%	*	3.94%	3.50%	7.44%	0.03%
Fall 2003	81.46%	9.34%	*	4.56%	4.58%	9.14%	0.06%
Fall 2004	78.23%	10.42%	*	5.04%	6.24%	11.27%	0.08%
Fall 2005	74.83%	12.52%	*	5.00%	7.57%	12.57%	0.08%
Fall 2006	69.86%	14.46%	*	6.45%	9.15%	15.60%	0.08%
Fall 2007	66.91%	15.67%	*	8.05%	9.30%	17.35%	0.07%
Fall 2008	64.13%	17.30%	*	8.45%	10.04%	18.49%	0.08%
Fall 2009	61.81%	18.76%	*	9.09%	10.68%	19.76%	0.19%
Fall 2010	57.04%	21.56%	*	9.00%	12.22%	21.21%	0.19%
Fall 2011	53.07%	24.90%	*	8.35%	13.50%	21.86%	0.18%
Fall 2012	41.30%	28.60%	7.27%	8.15%	13.83%	21.98%	0.85%
Fall 2013	42.21%	29.39%	5.36%	7.29%	14.77%	22.06%	0.99%

Table 3. School Openings and Closings in Detroit, 1994-2015

Year	PSA Districts Opened⁴	PSAs Districts Closed⁵	DPS Schools Closed⁶
1994	0	0	2
1995	7	0	1
1996	6	0	0
1997	8	0	0
1998	16	1	3
1999	8	0	1
2000	3	0	1
2001	5	2	11
2002	7	2	7
2003	4	1	15
2004	8	4	8
2005	11	3	24
2006	6	2	4
2007	4	5	40
2008	6	5	4
2009	6	1	36
2010	5	3	26
2011	11	4	15
2012	14	5	19
2013	11	10	5
2014	6	5	1
2015	2	5	0
TOTAL	154	58	223

APPENDIX B: School Performance in Detroit

Tables 4 through 18 involve data for grade four students in Detroit Public Schools (DPS), Public School Academies (PSAs) in Detroit, and the Education Achievement Authority. All reported performance is based on the grade four Michigan Educational Assessment Program (MEAP).

The data was retrieved from two main sources. For years 2002-03 to 2006-07, performance was retrieved from the Michigan Department of Education's (MDE) website, where statewide MEAP performance is available (and, also broken by districts and schools) in downloadable data files dating back to Winter 1999.⁷ For years 2007-08 to 2013-14, performance was retrieved from MI School Data, the State of Michigan's public portal for education data. Performance data was pulled from the MDE's website for the years prior to 2007-08 since there is no data available for years prior on MI School Data. Performance data for these two periods (*2002-03 to 2006-07* and *2007-08 to 2013-14*) cannot be compared because the data in the downloadable data files on MDE's website (which includes years prior to and after 2007-08) does not match the data on MI School Data for unknown reasons.⁸ While these time periods cannot be compared due to the use of different sources (and possible differences in reporting methods, inclusion or exclusion of students, use of averages, etc.), the data within the two periods remains insightful and important.

Proficiency is broken down into four different levels:⁹

- Level 1 (L1):** Advanced
- Level 2 (L2):** Proficient
- Level 3 (L3):** Partially Proficient
- Level 4 (L4):** Not Proficient

Some schools were excluded from this analysis. Reasons for exclusion include: insufficient data, authorized to serve grade four students but did not for a given year, or no reported test scores on the MDE website or MI School Data. In addition, some Educational Management Organizations (EMOs) could not be classified as for-profit or non-profit due to the lack of information. Tables 15, 16 and 17 indicate the number of EMOs that could not be classified in each year.

A note on the inaccessibility of data for public school academies. It has been very difficult to gather data on public school academies (PSAs) due to the way MI School Data organizes the database. PSAs are listed as their own districts under the Intermediate School District (ISD) in which they are located. However, if looking for PSAs located in Detroit, the data cannot be broken down by location. Instead, this information must be retrieved from Educational Entity Master (EEM) datasets. Then, using information from the EEM datasets, the performance of each PSA must be looked up on MI School Data; this involves manually looking up each PSA district individually to retrieve its performance data. In addition, the MDE does not designate which EMOs are for-profit or non-profit. To categorize EMOs, I relied on previous work by Gary Miron. This lengthy and complicated process makes it difficult for the public to check the performance of PSAs in Detroit that are responsible for a growing number and proportion of Detroit's students.

Table 4. Grade 4, MEAP Reading Proficiency Levels, Statewide, 2002-03 to 2006-07

School Year	Percent Proficient (L1+L2)	Percent Advanced (L1)	Percent Proficient (L2)	Percent Partially Proficient (L3)	Percent Not Proficient (L4)	Students Included
2002-03 ¹⁰	74.6	16.6	58.0	18.2	7.2	123,022
2003-04 ¹¹	79.7	18.3	61.4	16.1	4.2	119,945
2004-05 ¹²	82.4	21.9	60.5	14.2	3.4	118,345
2005-06 ¹³	83.2	21.9	61.3	14.5	2.2	117,477
2006-07 ¹⁴	84.8	33.1	51.7	13.0	2.1	116,377

Table 5. Grade 4 MEAP Reading Proficiency Levels, Statewide, 2007-08 to 2013-14

School Year	Percent Proficient (L1+L2)	Percent Advanced (L1)	Percent Proficient (L2)	Percent Partially Proficient (L3)	Percent Not Proficient (L4)	Students Included
2007-08 ¹⁵	59.6	17.6	42.0	19.2	21.2	115,371
2008-09 ¹⁶	58.6	10.3	48.3	23.0	18.4	114,363
2009-10 ¹⁷	65.3	14.2	51.1	19.9	14.8	112,508
2010-11 ¹⁸	65.3	11.9	53.4	19.8	14.9	113,922
2011-12 ¹⁹	69.0	13.0	56.0	19.0	12.0	110,366
2012-13 ²⁰	70.4	12.6	57.8	18.0	11.6	106,211
2013-14 ²¹	71.7	18.1	53.6	19.2	9.1	105,302

Table 6. Grade 4 MEAP Reading Proficiency Levels, Detroit Public Schools, 2002-03 to 2007-08

School Year	Percent Proficient (L1+L2)	Percent Advanced (L1)	Percent Proficient (L2)	Percent Partially Proficient (L3)	Percent Not Proficient (L4)	Students Included
2002-2003 ²²	54.9	9.9	45.0	27.6	17.6	12,923
2003-2004 ²³	60.4	9.3	51.1	28.5	11.1	11,759
2004-2005 ²⁴	66.7	10.6	56.1	25.1	8.2	10,001
2005-2006 ²⁵	67.7	12.9	54.8	26.8	5.5	8,881
2006-2007 ²⁶	70.2	15.9	54.3	24.7	5.1	8,162

Table 7. Grade Four MEAP Reading Proficiency Levels, Detroit Public Schools, 2007-08 to 2013-14

School Year	Percent Proficient (L1+L2)	Percent Advanced (L1)	Percent Proficient (L2)	Percent Partially Proficient (L3)	Percent Not Proficient (L4)	Students Included
2007-2008 ²⁷	29.0	5.6	23.4	23.4	47.5	7,316
2008-2009 ²⁸	28.2	2.8	25.4	29.0	42.8	6,622
2009-2010 ²⁹	36.8	5.0	31.8	28.3	34.9	5,946
2010-2011 ³⁰	40.4	4.3	36.1	24.9	34.6	5,449
2011-2012 ³¹	41.0	4.0	37.0	29.0	31.0	4,621
2012-2013 ³²	44.5	3.4	41.1	27.4	28.1	3,453
2013-2014 ³³	43.6	4.3	39.3	31.4	25.1	3,320

Table 8. Grade Four MEAP Reading Proficiency Levels, Detroit Public School Academies (PSAs), 2002-03 to 2006-07

School Year	Percent Proficient (L1+L2)	Percent Advanced (L1)	Percent Proficient (L2)	Percent Partially Proficient (L3)	Percent Not Proficient (L4)	Students Included
2002-2003 ³⁴	47.9	4.3	43.7	31.4	20.7	1,852
2003-2004 ³⁵	58.2	6.1	52.1	30.6	11.2	1,786
2004-2005 ³⁶	62.3	8.9	53.5	29.7	8.0	1,783
2005-2006 ³⁷	65.2	9.3	55.9	29.0	5.8	2,020
2006-2007 ³⁸	72.6	15.5	57.1	24.5	3.0	2,033

Table 9. Grade Four MEAP Reading Proficiency Levels, Detroit Public School Academies (PSAs), 2007-08 to 2013-14³⁹

School Year	Percent Proficient (L1+L2)	Percent Advanced (L1)	Percent Proficient (L2)	Percent Partially Proficient (L3)	Percent Not Proficient (L4)	Students Included
2007-2008	33.1	5.4	27.7	25.3	41.6	2,033
2008-2009	29.7	2.0	27.7	33.2	37.1	2,172
2009-2010	42.6	5.2	37.3	28.9	28.5	2,338
2010-2011	45.6	4.7	40.9	29.1	25.3	2,607
2011-2012	48.1	5.5	42.6	27.6	24.4	2,850
2012-2013	43.1	2.4	40.7	29.2	27.7	3,061
2013-2014	45.7	4.9	40.7	32.5	21.8	2,975

Tables 10. Proficiency Gap Between Detroit's Students and Students Statewide, 2002-03 to 2006-07 and 2007-08 to 2013-14

Compares the difference in percent of students proficient (L1+L2) between all Detroit students (PSA students, DPS students, and EAA students) and students statewide. The percentage gap is expressed in percentage points; negative values indicate that Detroit's students are behind students statewide.

School Year	Difference in Percent Proficient: Detroit's Students and Students Statewide
2002-2003	-20.6
2003-2004	-19.6
2004-2005	-16.4
2005-2006	-16.0
2006-2007	-14.4
Average	-17.4
2007-2008	-29.7
2008-2009	-29.9
2009-2010	-26.9
2010-2011	-23.2
2011-2012	-25.3
2012-2013	-27.4
2013-2014	-28.3
Average	-27.2

Table 11. Detroit Public School Academies (PSAs) Performing Above, Within 5%, and Below Students Statewide, Grade 4, MEAP Reading, 2002-03 to 2006-07 and 2007-08 to 2013-14

Compares the performance of Detroit PSAs (schools) to students statewide in terms of percent of students proficient (L1+L2).

School Year	Number Above	Percent Above	Number Within 5%	Percent Within 5%	Number Below	Percent Below	Total Schools
2002-2003	5	16.1%	1	3.2%	25	80.6%	31
2003-2004	5	16.7%	2	6.7%	23	76.7%	30
2004-2005	3	9.1%	2	6.1%	28	84.8%	33
2005-2006	3	9.4%	2	6.3%	27	84.4%	32
2006-2007	8	24.2%	2	6.1%	23	69.7%	33
Average	5	15.1%	2	5.7%	25	79.2%	32
2007-2008	2	5.9%	1	2.9%	31	91.2%	34
2008-2009	3	8.8%	0	0.0%	31	91.2%	34
2009-2010	2	5.4%	4	10.8%	31	83.8%	37
2010-2011	2	5.3%	2	5.3%	34	89.5%	38
2011-2012	2	4.7%	4	9.3%	37	86.0%	43
2012-2013	2	4.3%	2	4.3%	43	91.5%	47
2013-2014	0	0.0%	2	4.1%	47	95.9%	49
Average	2	4.9%	2	3.8%	36	89.9%	40

Table 12. Years in Operation: Detroit's Lowest-Performing Public School Academies (PSAs)

Using grade four reading proficiencies, Detroit PSAs were split into quartiles. This table involves schools performing in the 25th percentile or lower in each year. All PSAs in the 25th percentile or lower were outperformed by DPS every year. Using the Educational Entity Master (EEM) PSA District Dataset, the number of years each school had been in operation was determined.⁴⁰ Years in operation represents the highest, lowest, and average number of years schools in the first quartile (25th percentile or lower) had been in operation at each year. For example, in 2006: at least one school had been in operation for nine years (high); at least one school had been in operation for two years (low); the average school had been open for 6.8 years at that point in time.

School Year	High: Years in Operation	Low: Years in Operation	Average: Years in Operation	Number of Districts in First or Second Year of Operation
2002	3	0	2.3	2
2003	7	4	5.3	0
2004	6	0	4.7	1
2005	8	1	5.5	1
2006	9	2	6.8	0
Average	6.6	1.4	4.9	0.8
2007	11	0	6.8	1
2008	12	1	7.8	1
2009	11	4	9.5	0
2010	14	5	11.5	0
2011	14	0	5.7	6
2012	14	0	6.9	5
2013	18	0	7.2	3
Average	13.4	1.4	7.9	2.3

APPENDIX C: A Closer Look at the For-Profit Charter School Industry in Detroit

PSAs were divided into quartiles by performance (using grade four MEAP proficiency, including levels 1 and 2) for years 2002-03 to 2013-14. PSAs were then classified by management type. Management types include: for-profit EMO, non-profit EMO, and self-managed. In order to classify EMOs as for-profit or non-profit, two reports published by the National Education Policy Center (NECP) profiling for-profit and non-profit EMOs were used.⁴¹

Table 13. Detroit Public School Academies (PSA) by Management Type (Grade Four), 2002-03 to 2013-14⁴²
Compares the management type of all PSAs in the market (grade four only).

School Year	Percent of Detroit PSAs Managed by For-Profit EMOs	Percent of Detroit PSAs Managed by Non-Profit EMOs	Percent of Detroit PSAs Self-Managed	Number of Detroit PSAs	Percent Managed by Unknown EMO Type ⁴³
2002-03	61.3%	12.9%	16.1%	31	9.7%
2003-04	60.0%	13.3%	16.7%	30	10.0%
2004-05	63.6%	12.1%	12.1%	33	12.1%
2005-06	62.5%	12.5%	21.9%	32	3.1%
2006-07	63.6%	12.1%	21.2%	33	3.1%
2007-08	64.7%	11.8%	20.6%	34	2.9%
2008-09	67.6%	11.8%	17.6%	34	2.9%
2009-10	67.6%	13.5%	16.2%	37	2.7%
2010-11	68.4%	15.8%	13.2%	38	2.6%
2011-12	65.1%	18.6%	11.6%	43	4.7%
2012-13	63.8%	21.3%	10.6%	47	4.3%
2013-14	59.2%	26.5%	10.2%	49	4.1%

Tables 14 and 15 include Detroit PSAs ranked into quartiles based on performance compared to other Detroit PSAs and organized according to management type. These are not comparisons of Detroit's PSAs to other schools in the state, only to other PSAs in Detroit. Table 14 involves the highest performing Detroit PSAs, which includes PSAs given percentile rank 75 or higher (meaning the PSAs included are those performing above at least 75 percent of all other PSAs in Detroit). The number of PSAs performing above students statewide is added for comparison. Table 15 includes the lowest performing Detroit PSAs, which includes PSAs in the 25th percentile (meaning the PSAs included are those performing below at least 75 percent of all other PSAs in Detroit). The number of PSAs performing below DPS students (according to district-wide results) is added for comparison.

For Tables 14 and 15 there is either a (+) or (-) symbol next to each percentage in the second column. The (+) symbol indicates that the percent of PSAs managed by for-profit EMOs is greater than the percent of PSAs managed by for-profit EMOs in the market overall (the overall percent is reported in Table 13). The (-) symbol indicates that the percent of PSAs managed by for-profit EMOs is less than the percent of PSAs managed by for-profit EMOs in the market overall.

Table 14. Highest Performing PSAs in Detroit by Management Type, 2002-03 to 2013-14⁴⁴

School Year	Percent Managed by For-Profit EMOs	Percent Managed by Non-Profit EMOs	Percent Self-Managed	Percent Managed by Unknown EMO Type	Number of PSAs	Number of PSAs Performing Above Students Statewide
2002-03	75.0% (+)	0.0%	25.0%	0.0%	8	7
2003-04	50.0% (-)	25.0%	12.5%	12.5%	8	5
2004-05	44.4% (-)	33.3%	22.2%	0.0%	9	3
2005-06	75.0% (+)	12.5%	12.5%	0.0%	8	6
2006-07	66.7% (+)	11.1%	22.2%	0.0%	9	9
2007-08	55.6% (-)	22.2%	22.2%	0.0%	9	2
2008-09	66.7% (-)	22.2%	11.1%	0.0%	9	3
2009-10	50.0% (-)	20.0%	30.0%	0.0%	10	2
2010-11	62.5% (-)	25.0%	12.5%	0.0%	8	2
2011-12	63.6% (-)	27.3%	9.1%	0.0%	11	2
2012-13	54.5% (-)	27.3%	18.2%	0.0%	11	2
2013-14	53.8% (-)	23.1%	15.4%	7.7%	13	0

Table 15. Lowest Performing PSAs in Detroit by Management Type, 2002-03 to 2013-14

School Year	Percent Managed by For-Profit EMOs	Percent Managed by Non-Profit EMOs	Percent Self-Managed	Percent Managed by Unknown EMO Type	Number of PSAs	Number of Schools Performing Below DPS Students ⁴⁵
2002-03	50.0% (-)	25.0%	0.0%	25.0%	8	8
2003-04	75.0% (+)	12.5%	12.5%	0.0%	8	8
2004-05	88.9% (+)	0.0%	0.0%	11.1%	9	9
2005-06	75.0% (+)	12.5%	12.5%	0.0%	8	8
2006-07	77.8% (+)	0.0%	11.1%	11.1%	9	9
2007-08	66.7% (+)	11.1%	22.2%	0.0%	9	9
2008-09	55.6% (-)	22.2%	22.2%	0.0%	9	9
2009-10	80.0% (+)	0.0%	10.0%	10.0%	10	10
2010-11	60.0% (-)	10.0%	20.0%	10.0%	10	10
2011-12	66.7% (+)	16.7%	8.3%	8.3%	12	12
2012-13	75.0% (+)	8.3%	8.3%	8.3%	12	12
2013-14	53.8% (-)	30.8%	15.4%	0.0%	13	13

Table 16. Detroit Public School Academies (PSAs) in the 25th Percentile for More Than One Year, 2002-03 to 2013-14

Includes PSAs in Detroit performing ranked in the 25th percentile (first quartile or “Q1”) relative to other PSAs in Detroit (see Table 13 for an explanation). The education service provider (i.e., the educational management organization) providing services for the school is indicated along with its designation as for-profit (P), non-profit (NP), unknown (U), or self-managed (no EMO). In addition, if the school closed, the year it closed is indicated in the sixth column.

Authorizer abbreviations are listed as follows:

BMCC: Bay Mills Community College

CMU: Central Michigan University

DPS: Detroit Public Schools

EAA: Education Achievement Authority

EMU: Eastern Michigan University

FSU: Ferris State University

GVSU: Grand Valley State University

LSSU: Lake Superior State University

OU: Oakland University

SVSU: Saginaw Valley University

District Number	PSA District Name	Authorizer	Education Service Provider	Year Open	Year Closed	Consecutive Years in the Q1	Total Years in Q1
82970	Warrendale Charter Academy	GVSU	National Heritage Academies (P)	2001	-	0	2
82943	Weston Preparatory Academy	OU	CS Partners (P)	1998	-	0	2
82731	GEE Edmonson Academy	DPS	Global Educational Excellence (P)	2011	-	0	2
82732	GEE White Academy	DPS	Global Educational Excellence (P)	2011	-	0	2
82966	Detroit Advantage Academy	GVSU	TJ Adams (U)	2000	2005	0	2
82997	Flagship Charter Academy	CMU	National Heritage Academies (P)	2007	-	2	2
82727	Regent Park Scholars Charter Academy	LSSU	National Heritage Academies (P)	2011	-	2	2
82751	Michigan Educational Choice Center	EAA	Performance Academies (P)	2012	-	2	2
82914	Colin Powell Academy	CMU	Self-managed	1996	2010	2	2
82942	Hope Academy	EMU	BFDI Educational Services (U)	1998	-	0	3
82913	Woodward Academy	CMU	Self-managed	1996	-	0	3
82948	Ross-Hill Academy	DPS	777 Management Company (P)	1998	-	2	3

82933	Timbuktu Academy	DPS	Magnum Educational Services (P)	1997	-	2	3
82922	Nsoroma Institute	OU	Black Star Educational Management (P)	1997	2013	2	3
82947	David Ellis Academy	DPS	Bardwell Group (P)	1998	-	3	3
82733	Hamilton Academy	DPS	Educational Partnerships, Inc. (U)	2011	-	3	3
82907	Michigan Technical Academy	CMU	Matchbook Learning Solutions, Inc. (NP)	2002	-	0	4
82979	Detroit Enterprise Academy	GVSU	National Heritage Academies (P)	2004	-	3	4
82955	Allen Academy	FSU	Leona Group (P)	1999	2004	0	5
82939	Pierre Toussaint Academy	FSU	Leona Group (P)	1998	2013	2	5
82940	Voyageur Academy	FSU	American Promise Schools (NP)	1998	-	2, 2	5
63912	Oakland International Academy	SVSU	Education Management & Networks (EMAN) (P)	1999	-	5	7
82957	Hope of Detroit Academy	FSU	Leona Group (P)	1999	-	7	7
82950	Universal Academy	OU	Hamadeh Educational Services, Inc. (P)	1998	-	7	8
82958	Joy Preparatory Academy	FSU	Leona Group (P)	1999	2016	8	9
82925	Detroit Community Schools	BMCC	Self-managed	1997	-	9	9

ENDNOTES: APPENDICES A-C

¹ All data retrieved from: Darnell Earley, “10-Point Management Plan, Addendum A: Detroit School Supply, School Closures and Openings,” 2015, http://detroitk12.org/data/finance/docs/2015.03.03_DPS_10-Point_Management_Plan_Addendum_A_Attachments.pdf.

² Ibid.

³ The EAA was formed in July 2011 by Governor Rick Snyder to turnaround the lowest 5 percent of schools. The EAA took control of fifteen DPS schools, three of which were converted to charter schools. The charter school populations are not included in the EAA market share Leanne Kang, “The Dismantling of an Urban School System: Detroit, 1980-2014” (University of Michigan, 2015), 144-47, <http://hdl.handle.net/2027.42/113328>.

⁴ PSA openings retrieved from: Michigan’s Center for Educational Performance and Information (CEPI), “Educational Entity Master (EEM) Data Sets, PSA District,” report generated March 7, 2016, <https://cepi.state.mi.us/eem/PublicDatasets.aspx>. PSA openings are counted by PSA district rather than school. Most PSAs are single-district and some contain multiple campuses.

⁵ PSA district closings retrieved from: Michigan’s Center for Educational Performance and Information (CEPI), “Educational Entity Master (EEM) Data Sets, PSA District,” report generated March 7, 2016, <https://cepi.state.mi.us/eem/PublicDatasets.aspx>. Checked against Education, “Closed Public School Academies, Last Updated 9/30/16,” https://www.michigan.gov/documents/mde/Closed_PSA_with_reason_2012.08_396310_7.pdf. PSA closings are counted by PSA district rather than school. Most PSA districts are composed of single schools and some contain multiple campuses.

⁶ DPS closings retrieved from: Earley, “10-Point Management Plan, Addendum A: Detroit School Supply, School Closures and Openings.” http://detroitk12.org/data/finance/docs/2015.03.03_DPS_10-Point_Management_Plan_Addendum_A_Attachments.pdf

⁷ These downloadable data files are available at: http://www.michigan.gov/mde/0,4615,7-140-22709_70117_31530---,00.html.

⁸ The Michigan Department of Education does not explain why their data in the downloadable data files report different proficiency numbers for the same year and cohort of students (grade and subject tested) compared to MI School Data. For instance, in Fall 2007, MDE’s data spreadsheet reports that 84.5 percent of grade four students statewide were proficient in reading. MI School Data reports that 59.7 percent of grade four students statewide were proficient. There is no information on MI School Data or the MDE’s website explaining whether different methods were used in reporting these results.

⁹ In some tables, the percent of students scoring proficient includes those scoring at Level 1 and Level 2; this is noted in figures and tables where levels 1 and 2 are added together.

¹⁰ Data for statewide results 2002-03 retrieved from: Michigan Department of Education, “2003 Winter Grades 4, 5, 7 and 8 MEAP Test Results,” http://www.michigan.gov/mde/0,4615,7-140-22709_70117_31530---,00.html. Statewide results were not reported in the data file. Statewide results were found by adding all districts to find the percent of students statewide at each level. Some districts were excluded because less than 10 students in the districted were tested. MDE does not report proficiency scores for districts with less than 10 students to protect student identity. In addition, percentages may not add to 100 due to rounding.

¹¹ Data for statewide results 2003-04 retrieved from: Michigan Department of Education, “2004 Winter Grades 4, 5, 7 and 8 MEAP Test Results,” n.d., http://www.michigan.gov/mde/0,4615,7-140-22709_70117_31530---,00.html. Statewide results were not reported in the data file.

Statewide results found by adding all districts to find the percent of students statewide at each proficiency level. Some districts were excluded because less than 10 students in the districted were tested. MDE does not report proficiency scores for districts with less than 10 students to protect student identity. In addition, percentages may not add to 100 due to rounding.

¹² Data for statewide results 2004-05 retrieved from: Michigan Department of Education, “2005 Winter Grades 4, 5, 7 and 8 MEAP Test Results,” http://www.michigan.gov/mde/0,4615,7-140-22709_70117_31530---,00.html.

¹³ Data for statewide results 2005-2006 retrieved from: Michigan Department of Education, “Fall 2005, Grades 3-9 MEAP Test Results,” http://www.michigan.gov/mde/0,4615,7-140-22709_70117_31530---,00.html.

¹⁴ Data for statewide results 2006-07 retrieved from: Michigan Department of Education, “Fall 2006, Grades 3-9 MEAP Test Results,” http://www.michigan.gov/mde/0,4615,7-140-22709_70117_31530---,00.html.

¹⁵ Data for 2007-08 through 2008-09 retrieved from: Michigan’s Center for Educational Performance and Information (CEPI), “Student Assessment, Grades 3-8 Assessments, Statewide, MEAP, 4th Grade Content, Reading, All Students (2008-09),” <https://goo.gl/BRp78C>. Note: select “Trend” to view both years.

¹⁶ Ibid.

¹⁷ Data for 2009-10 through 2013-14 retrieved from: Michigan’s Center for Educational Performance and Information (CEPI), “Student Assessment, Grades 3-8 Assessments, Statewide, MEAP, 4th Grade Content, Reading, All Students (2013-14),” MI School Data, <https://goo.gl/XDkusl>. Note: select “Trend” to view all years.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

²² Data for 2002-03 retrieved from: Michigan Department of Education, “2003 Winter Grades 4, 5, 7 and 8 MEAP Test Results,” http://www.michigan.gov/mde/0,4615,7-140-22709_70117_31530---,00.html.

²² Data for 2003-04 retrieved from: Michigan Department of Education, “2004 Winter Grades 4, 5, 7 and 8 MEAP Test Results,” http://www.michigan.gov/mde/0,4615,7-140-22709_70117_31530---,00.html

²³ Data for 2004-05 retrieved from: Michigan Department of Education, “2005 Winter Grades 4, 5, 7 and 8 MEAP Test Results,” http://www.michigan.gov/mde/0,4615,7-140-22709_70117_31530---,00.html

²⁴ Data for 2005-06 retrieved from: Michigan Department of Education, “Fall 2005, Grades 3-9 MEAP Test Results,” http://www.michigan.gov/mde/0,4615,7-140-22709_70117_31530---,00.html

²⁵ Data for 2006-07 retrieved from: Michigan Department of Education, “Fall 2006, Grades 3-9 MEAP Test Results,” http://www.michigan.gov/mde/0,4615,7-140-22709_70117_31530---,00.html

²⁶ Data for 2007-08 retrieved from: Michigan’s Center for Educational Performance and Information (CEPI), “Student Assessment, Grades 3-8, Wayne RESA, Detroit Public Schools

Community District (82015), 4th Grade Content, Reading, All Students (2008-09),” MI School Data, <https://goo.gl/xxK7IZ>. Note: select “Trend” to see both years.

²⁷ Ibid.

²⁸ Data for 2009-10 to 2013-14 retrieved from: Michigan’s Center for Educational Performance and Information (CEPI), “Student Assessment, Grades 3-8, Wayne RESA, Detroit Public Schools Community District (82015), 4th Grade Content, Reading, All Students (2013-14),” MI School Data, <https://goo.gl/uJu3bc>. Note: select “Trend” to see all years.

²⁹ Ibid.

³⁰ Ibid.

³¹ Ibid.

³² Ibid.

³³ Data for 2002-03 retrieved from: Michigan Department of Education, “2003 Winter Grades 4, 5, 7 and 8 MEAP Test Results,” http://www.michigan.gov/mde/0,4615,7-140-22709_70117_31530---,00.html.

³⁴ Data for 2003-04 retrieved from: Michigan Department of Education, “2004 Winter Grades 4, 5, 7 and 8 MEAP Test Results,” http://www.michigan.gov/mde/0,4615,7-140-22709_70117_31530---,00.html.

³⁵ Data for 2004-05 retrieved from: Michigan Department of Education, “2005 Winter Grades 4, 5, 7 and 8 MEAP Test Results,” http://www.michigan.gov/mde/0,4615,7-140-22709_70117_31530---,00.html.

³⁶ Data for 2005-06 retrieved from: Michigan Department of Education, “Fall 2005, Grades 3-9 MEAP Test Results,” http://www.michigan.gov/mde/0,4615,7-140-22709_70117_31530---,00.html.

³⁷ Data for 2006-07 retrieved from: Michigan Department of Education, “Fall 2006, Grades 3-9 MEAP Test Results,” http://www.michigan.gov/mde/0,4615,7-140-22709_70117_31530---,00.html.

³⁸ Data for years 2007-08 to 2010-11, retrieved from: Michigan’s Center for Educational Performance and Information (CEPI), “Student Assessment, Grades 3-8, Wayne RESA, 4th Grade Content, Reading, All Students,” MI School Data. Since PSAs are listed as their own districts, each PSA had to be looked up individually on MI School Data. To find PSAs located in Detroit, I downloaded the Educational Entity Master (EEM) “PSA District” data set on Michigan’s Center for Educational Performance and Information (CEPI). Report generated March 8, 2017. <https://cepi.state.mi.us/eem/PublicDatasets.aspx>

³⁹ Michigan’s Center for Educational Performance and Information (CEPI), “Educational Entity Master (EEM) Data Sets, PSA District,” report generated March 7, 2016, <https://cepi.state.mi.us/eem/PublicDatasets.aspx>.

⁴⁰ Alex Molnar, Gary Miron, and Jessica Urschel, “Profiles of For-Profit Educational Management Organizations: 2008-2009,” (Boulder, CO: National Education Policy Center, 2009), 1-242, <http://nepc.colorado.edu/publication/profiles-profit-emos-2008-09>. Gary Miron and Charisse Gulosino, “Profiles of For-Profit and Nonprofit Education Management Organizations: Fourteenth Edition 2011-2012,” (Boulder, CO: National Education Policy Center, 2013), 1-250, <http://nepc.colorado.edu/publication/EMO-profiles-10-11>.

⁴¹ Education service providers serving each Detroit PSA serving grade four were found using: Michigan’s Center for Educational Performance and Information (CEPI), “Public School Academy Districts with Education Service Providers and Chartering Agencies,” Educational

Entity Master (EEM) Datasets, Report Generated January 30, 2017,
<https://cepi.state.mi.us/eem/reports.aspx>.

⁴² Includes schools managed by EMOs for which little information is publicly available; consequently, they could not be classified into the for-profit or non-profit categories.

⁴³ Percentages for years 2003-04 and 2013-14 do not add to 100 since one EMO in each year could not be classified as for-profit or non-profit due to lack of information regarding the EMO.

⁴⁴ Includes numbers of PSAs performing below students in DPS according to district-wide results.

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