The Health Care Blog

Health and Education

By JOHN GOODMAN, PhD

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I believe I am one the few commentators on the Internet who routinely compares the fields of health and education (see previous posts here and here). The reason: lessons from one field are often applicable to the other.

The parallels are obvious: In both fields (1) we have systematically suppressed normal market forces; (2) the entity that pays the bill is usually separate from the beneficiaries of the spending; (3) providers of the services see the payers, not the beneficiaries, as their real customers and often shape their practice to satisfy the payers' demands — even if the beneficiaries are made worse off; (4) even though the providers and the payers are in a constant tug-of-war over what is to be paid for and how much, the beneficiaries are almost never part of these discussions; and (5) there is rampant inefficiency on a scale not found in other markets.

Long before there was a Dartmouth Atlas for health care, education researchers found large differences in per pupil spending (more than three to one among large school districts, e.g.) that were unrelated to differences in results. In fact, study after study has found no correlation between education spending and education results. (See Linda Gorman's summary at Econlog.)

Internationally, the parallels continue. Just as the United States is said to spend more than any other country and produce worse outcomes in health care, the same claim is now made for education.

The Programme for International Student Assessment (PISA) tests 15-year-olds for proficiency in reading, math and science in thousands of schools all over the world. Here is Richard Posner's summary:

The latest results (which are for 2009) reveal among other things that although the United States spends more money per student on secondary school education than any other country except Switzerland and Austria, Americans' performance on the PISA tests is mediocre. In the latest tests Americans ranked 17 in reading, 24 in science, and 30 in math. 15-year-old kids in East Asian nations (including Australia and New Zealand), along with Finland, Switzerland, the Netherlands, Belgium, and Canada, outperform the United States in all three subjects. Since 2000, when the PISA tests were first given, the United States has fallen in rank in reading and science, and is unchanged in math.

Yet, do we really spend more and get less? The fact that the market has been completely suppressed in both health and education means that no one is facing real prices. Spending totals, therefore, do not reflect real resource uses. In health care, National Center for Policy Analysis researchers found that doctors, nurses, hospitals days, hospital beds, etc., per capita in the U.S. are actually below the OECD average. As for outcomes, in those areas where medicine (rather than behavior and environment) make the greatest difference, the U.S. appears to be the best in the world. (See our international survey.)

Similar observations appear to apply to the field of education. If we take the pupil-teacher ratio as an indication of real resources used, the United States employs fewer teachers than the OECD average in secondary education and slightly more teachers in primary schools. Overall, we appear to be in the middle of the pack.

What about outcomes? As Posner notes:

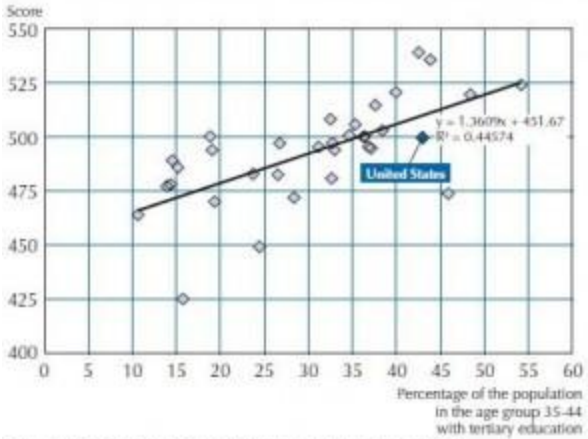
The 2009 PISA test scores reveal that in American schools in which only a small percentage (no more than 10 percent) of the students receive free lunches or reduced-cost lunches, which are benefits provided to students from poor families, the PISA reading test scores are the highest in the world. But in the many American schools in which 75 percent or more of the students are from poor families, the scores are the second lowest among the 34 countries of the OECD; and the OECD includes such countries as Mexico, Turkey, Portugal, and Slovakia.

University of Chicago graduate student Tino Sanandaji (for whom English is obviously not the first language) has gone even further. He finds that when American students of European descent (removing Asians, Hispanics, African-Americans, etc.) are compared to Europeans (minus European immigrants), American students score well above the European average.

Overall, Catherine Rampell finds there is very little relationship between spending and results across countries. As the following charts show, two factors that matter much more are how educated the parents are and what proportion of students come from socioeconomically disadvantaged backgrounds:

■ Figure 2.1c ■

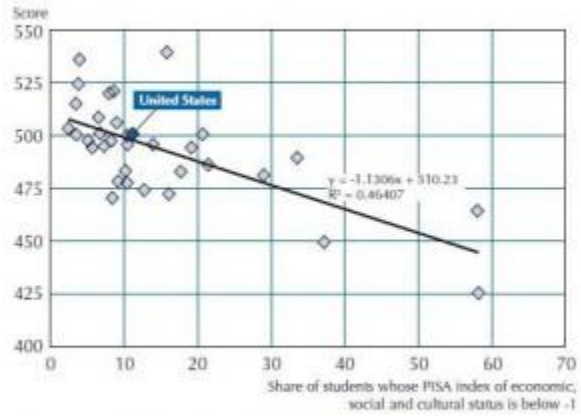
Reading performance and parents' education



Source: OECD (2010), *PISA 2009 Results, Volume I*, Table I.2.20.
StatLink http://dx.doi.org/10.1787/888932366636

■ Figure 2.1d ■

Reading performance and share of socio-economically disadvantaged students



Source: OECD (2010), *PISA 2009 Results, Volume I*, Table I.2.20.
StatLink http://dx.doi.org/10.1787/888932366636

Questions to ponder:

1. Given all the similarities between health and education, why do so many people in each field ignore what's happening in the other?

2. Why do so many people in health policy think they can succeed with the very reforms that have failed (e.g., pilot programs, electronic gadgetry) in education for 25 years?

Let us know what you think.

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