

# OCPA COMMENTARY

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## Education Vital to Economic Growth

by Brandon T. Dutcher

1/15/96

Nearly everyone in Oklahoma--from state educrats to corporate executives to homeschooling parents--is in agreement: to improve our state's business climate and foster economic growth, education must improve.

"Investment in education has a high return, and passing up such investment is costly, especially over the long term," says Eric Hanushek, an economist at the University of Rochester. "Better schools could be an important determinant of whether the United States is able to sustain a high rate of economic growth." Says Mayor Ron Norick of Oklahoma City, "When I talk to various business people about industry and jobs in our community, education is at the top of their lists."

An ancient Solomonic principle holds that he who increases knowledge increases strength and power. By application, it can be said that if Oklahomans increase in knowledge, Oklahoma will increase in economic strength. Michael Novak has pointed out that the work *capital* comes from the Latin *capitalis*, meaning *head*, or *mind*. "All real wealth has always been seen as ideas and thought," said the economic columnist Warren Brookes. "This knowledge = wealth equation is becoming more demonstrable each year. An increasing share of our capital is not even in the form of hardware (machinery and plants) but in software, logical mental programs that determine everything from product design to the conversion of ideas into goods and services." And yes, though much of Oklahoma's prosperity does derive from black gold, even that wealth is largely attributable to the ideas in Henry Ford's brain. Truly, knowledge is power.

So while everyone can agree that education is vital to Oklahoma's economic growth, sharp disagreements arise in determining just *how* to improve education.

The prevailing mindset, which holds considerable sway in the legislature, the education establishment, and most of its echo chambers of so-called commerce, goes something like this: If we raise taxes (or at least hold them constant), we can increase spending for public education. Our education system will thus improve, causing new investment to come to the state, thereby fueling economic growth.

This seemingly plausible argument resulted in passage of HB 1017, and it's now being trotted out in support of Son of 1017, the new \$191 million "reform" package. Yet there are at least two problems with this argument: (1) increased spending on public education doesn't necessarily improve performance, and (2) higher taxes and government spending actually serve to *hinder* economic growth.

Mountains of experimental and anecdotal evidence, on everything from illiteracy to test scores to graduation rates to remediation, tell us that student performance over the past three decades hasn't increased alongside the massive (inflation-adjusted) increases in education spending.

Yet policymakers--often beholden to the powerful education lobby--continue to extract more and more money from the private sector and throw it at the government's education system, hoping to improve that system and thereby enhance Oklahoma's relative economic performance. "Yet an overwhelming body of research shows that a state's tax burden relative to that of its neighbors has a significant negative impact on its economic health," says the National Center for Policy Analysis.

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As the governor pointed out in his recent State of the State address, taxes and spending matter a great deal; it is by *reducing* them that we will spur economic growth in Oklahoma.

So contrary to OEA president Barbara Smith's assertion that HB 1017 was a "first step" in improving education in the state, and contrary to her assertion that "we must rededicate our commitment and our financial resources to strengthening education for our state's public school students," the truth is this: If we really want to improve education and fuel economic growth, continually taxing and spending more any more for the current system is not the answer.

What is the answer? For starters, Hanushek argues for holding education expenditures constant. After all, "poor performance is certainly not an automatically convincing case for more money. Quite the contrary."

Ultimately, answers lie in *genuine* reforms that restore local control, free teachers and principals from bureaucratic regulations and hold them accountable to parents for academic results. Many real reforms--such as charter schools, school choice, private contracting, even the complete separation of school and state--are vigorously competing in the marketplace of ideas. Many are increasingly being enacted nationwide, and many have been and will continue to be considered in the Oklahoma Legislature.

Make no mistake, education is vital to economic growth. It's just that in our market economy, it seems somewhat odd to expect economic growth to be fostered by a near-monopoly, heavily unionized, government-owned-and-run industry which voraciously consumes precious capital while relying on coercive state power to obtain its funding and its customers. If education in this state is going to improve, some principles of free enterprise are going to have to see the light of day.

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*Dutcher is research director for OCPA, a non-partisan think tank promoting free enterprise and limited government. The views expressed are those of the author and not necessarily those of the OCPA trustees or membership.*

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