

**An Economic Case against Vouchers:  
Why Local Public Schools Are a Local Public Good**

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*Abstract:* Statewide voucher plans are consistently rejected in plebiscites. This article explains voters' attachment to public education despite the schools' deficiencies: The public benefit of local schools accrues to *parents*, not children. Having children in local schools enables adults to get to know other adults better, which in turn reduces the transaction costs of citizen provision of true local public goods. This network of adult acquaintances within the municipality is "community-specific social capital." Vouchers would disperse students from their communities and thereby reduce the communal capital of adult residents. Voters' implicit understanding of this explains the unpopularity of statewide voucher plans.

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"And a little child shall lead them." Isaiah 11:6

In previous work I have criticized the court-ordered movement that seeks to equalize and thereby centralize school finance. I have gone so far as to argue that this has caused property tax revolts and reduced the quality of education nationally (Fischel 1996; 2001, chap. 6). The present article addresses a related reform, vouchers. Voucher plans would entitle students to use public money to attend private schools anywhere in the state. The idea was first proposed by Milton Friedman (1962) and was reactivated in the 1990s. Its renaissance followed from the many alarms about the decline in overall school quality (Chubb and Moe 1990). Yet voters appear to be very leery of vouchers, defeating them in almost all statewide plebiscites (Moe 2001). I will argue that these votes do not reflect irrationality, misinformation, or miscalculation.

### **§1. The Public-Goods Puzzle of Local Public Schools.**

Why are American K-12 schools provided in the local public sector and made equally and freely available to all who reside in the community? The economics profession has long been perplexed by this question. Schooling is often used as an example of a local public good, but most economists who reflect on it admit that it fits poorly into the technical definition of public goods. A public good is one that is subject to the nonexclusion principle or possesses the nonrival quality: An entrepreneur who seeks to profit by selling views of his overhead fireworks display will find he cannot *exclude* people who won't pay, and those who refuse to pay but enjoy watching can assuage their consciences by noting that their viewing the display does not subtract from ("is not *rival* with") anyone else's ability to see it.

But formal education has neither of these qualities. It is entirely possible to exclude nonpaying consumers of education, as is established by the existence of a robust private school system and the euphemistic "school censuses" that better public-school districts undertake to root out students who falsely claim residence. That education is rival is evident from the continuing concern about class size. Bigger classes (more student-consumers) do detract, at plausible margins, from the education of others (Boozer and Rouse 2001).

The economics literature falls back on two classes of arguments for the publicness of public schools. The older is that there are spillover benefits to education that cannot be captured by those who are educated. The productivity of most workers is enhanced by the greater education of some. Whether this is true remains a matter of some debate. Years of education is closely correlated with lifetime earnings, suggesting internalization of much of the benefits of schooling. Even if we concede that there are uncaptured spillover benefits, however, it does not justify more than a subsidy to education. It does not explain why its *production* should be in the public sector, let alone the *local* public sector.

The other efficiency argument has to do with a defect in the capital market (Becker 1964). Because human capital cannot serve as its own security (at least since the Thirteenth Amendment), it is too costly for students or their parents to borrow against the future income that will result from educational investments. But again, even if this incomplete capital market is conceded, it argues for no more than a publicly financed subsidy to education, not for public provision. And both this and the previous case for education subsidies (the spillover benefits) would argue for national public financing of education, not local or even state funding, and certainly not local provision.

Eric Hanushek (2002, p. 20) points out that arguments for the external benefits of education are not much different from those for medical care. Health care has spillover benefits that may not be internalized, and long-term health investments may yield high returns that cannot be secured as collateral for lenders. The institutional response to these defects for medical care, however, has been largely to subsidize its purchase with grants and tax-expenditures from the state and national governments, not to organize its production and most of its financing at the local level, as K-12 education is organized.

Just so, say American policy entrepreneurs of both the left and the right. The left finds in this argument a powerful argument against *local financing* of education. Uniform funding by as high a level of government as possible is desirable both to internalize the spillover benefits of education, which surely accrue to a wider area than just a single locality. The inefficiencies of the human-capital market require raising funds through national taxes to redistribute wealth through public education, assuming, as is reasonable, that capital-market constraints are more severe for the poor than the rich (Fernandez and Rogerson 1996). Nearly everyone agrees that redistributive taxes are best undertaken by the national government, whose burdens can least easily be escaped by migration to lower-tax jurisdictions.

The political-right side of this argument might quibble about the extent of redistribution that is necessary, but its real beef with the left is about *public provision* of education. The right seeks to provide this good by simply subsidizing consumers' shopping for private schools. Voucher advocates argue chiefly for the benefits of competition that they see as being primarily in the private sector (Chubb and Moe 1990; Friedman 1962; Hoxby forthcoming). Although there is sometimes a nod to Tiebout-style competition among local public school districts (Hoxby 2000; Nechyba 2000), the main difference between the left and right among education reformers is whether the higher-government funds ought to be distributed to state-run schools or (via vouchers) to privately run schools. Neither side has much use for locally funded, locally run public schools.

Yet the public thinks otherwise. They vote with their feet for local schools, as is evidenced from the fact that improving local public schools almost always raises house values (Black 1999; Haurin and Brasington 1996). They vote at the ballot box, too, rejecting both conservative proposals to adopt state-funded voucher plans (Moe 2001, pp. 359-69; Ryan and Heise 2002) and liberal proposals to centralize financing of public education (Carrington 1973; Fischel 2001, p. 118). Nobody loves local public schools but the people.

I think that the people are right. Economists have simply been unable to see the reasons that local public schools are a local public good. The reason is that they have been looking at school children instead of their parents and other adult community members. The local-publicness of education is to be found among those who do not consume education directly.

## §2. *Serrano's* Ending of Tiebout-Sorting Revived Voucher Proposals

The odd thing about local public education is that, prior to the judge-made centralization movement, Americans had figured out a way to provide it much like private goods. Given a stock of numerous and independent districts, a highly regulated supply of housing (by zoning), and a mobile population (ala Tiebout 1956), local public education was converted into an essentially private good (Hamilton 1975). In order to get the benefits of the schools, you had to buy a home in the community whose property taxes covered the cost of education. You could not shirk from the property-tax burden by buying a less valuable home or subdividing an existing structure; local land use regulations would not permit it (Fischel 1992). Local schools, though nominally in the public sector, became more like a private good. Tuition for education quality differentials was extracted in the housing market, not at the schoolhouse door. Since education is in fact a private good at the local level, this aspect of the system is efficient.

But even for those of us who think this system describes a large part of reality (to wit, in the suburbs and small cities where most people live), this begs a question. If that's all there is to public education, why don't those same suburban and small-city voters — a healthy majority in most states — just abolish public schools and vote instead for mandatory attendance at an approved private school, subsidized by vouchers if need be? Why go to all that trouble of fiscal zoning and endure the location distortions of having to shop for both a home and a school district (Yinger 1982)?

Yet localism continues to thrive, even in the face of concerted attacks and reasonable alternatives. The bottom-up system of local schooling has been attacked by a thirty-year movement to centralize the funding of public education (Heise 1998; Joondeph 1995). After voters in several states had soundly rejected the centralizers' proposed reforms in the late 1960s, reformers took their cause to the courts (Carrington 1973). Since the early 1970s, legal reformers have fought a war of attrition against localism in education in the state courts. (The U.S. Supreme Court washed its hands of the issue in 1973 in *San Antonio v. Rodriguez*, 411 U.S. 1.)

The earliest and most sweeping victory was obtained in California in *Serrano v. Priest*, 96 Cal. Rptr. 601 (1971). Its 1976 remedy (135 Cal. Rptr. 345) required that variations in local property-tax bases could not be the basis (as they surely were prior to the decision) for variations in school spending. Compliance with this edict by California's legislature transformed the school component of the property tax from a fee-for-service into a deadweight loss (Fischel 1989). The voters further obliged the court by cutting the property tax in half in Proposition 13 in 1978, shipping the responsibility for school funding to the state. Some initially regarded as a blessing in disguise in that it forced the state to deal with *Serrano* (Post 1979). The state legislature, however, has found itself unable or unwilling to replace those locally-generated funds, and California's schools soon fell from being among the best in the nation to being among the worst (Schrag 1998; Sonstelie, Brunner, and Ardon 2000).

In a post-*Serrano*-and-Proposition-13 world, California voters should have found vouchers an attractive option. Since public funds had to be more or less equally distributed among public school children, no district could spend more than any other. Thus the supposed advantages of local schools for the rich suburbs should have disappeared. Voters in those places should have been able to see the light of a voucher system. Yet voucher initiatives in California were rejected by huge margins in 1993 and 2000, even when voucher supporters outspent their opponents in the most recent election (Moe 2001, p. 366). Vouchers were most soundly rejected in those places in

California where local public schools have maintained their higher quality in the face of fiscal constraints (Brunner, Sonstelie, and Thayer 2001). Community residents in these places have managed to use private funds and a jury-rigged system of fees and “parcel taxes” to supplement Sacramento’s meager offerings (Brunner and Sonstelie 1997).

But why do California communities go to this kind of trouble to resuscitate local public schools? Why not just transfer their impressive fund-raising abilities to voucher-supported private schools? Why do they still like public schools so much?

### **§3. The Answer Is Community-Specific Social Capital**

Here’s how I found out why voters still prefer public schools, even when they are as bad as they are in California. I spent a sabbatical year in Berkeley, California, in the academic year 1991-92. My son and only child was entering the eighth grade. Before going, I called friends in Berkeley who had children around that age, and I found that *none* of them sent their children to a public middle school in Berkeley. My wife and I decided instead to send our son to a tiny private school that happened to be just a block from the home we rented.

It looked perfect. But as the year progressed, we noticed something odd. We weren’t getting to know very many people in the neighborhood. During a previous leave at UC Santa Barbara in 1985-86 (you notice a pattern), when our son was in second grade, he attended a nearby public school and we had no trouble getting to know people in the area. But in Berkeley, all but our immediate neighbors remained strangers to us.

After a few months in Berkeley, we figured out what was different. Our son’s schoolmates were drawn from all over the East Bay area. Indeed, the school (now defunct) had the grandiose name of East Bay Junior Preparatory School. Josh’s school friends went home after school to widely-spaced communities, and he seldom visited with them except for special, parent-arranged events. We got to know some of those parents on those occasions, but, since only two of Josh’s schoolmates lived in the neighborhood, we did not get to know people in Berkeley very well. The publicness of local public schools, I submit, is that they enable *parents* to get to know the other members of their community.

What’s so important about that? More precisely, where’s the nonexcludable, nonrival aspect of knowing your neighbors? It is that public schools increase the community’s “social capital,” to invoke a term given wide currency by Robert Putnam (1995; 2000). Social capital, as I will use it, is one’s network of friends and acquaintances in a community. When bottom-up collective action is necessary, having established a network of trustful relationships makes it much easier to organize and get the job done.

The social capital I am concerned with is what I call “community-specific social capital.” It is not just all the people you know, but the people you know within a given political community. Community-specific social capital facilitates collective action. If you know and trust others in your community, it is easier to get them to sign a petition to do something about the dangerous intersection. It is easier to round up members of the community to attend a hearing to oppose an adverse land-use proposal. It is easier to gather fellow gardeners to ask the city council to turn a derelict lot into a community garden. It is more likely that neighbors or passers-by will report a suspicious stranger entering your house if they know something about your life.

Public schools’ public benefits — creating community-specific social capital — accrue mainly to a bottom-up view of local government. They do not help much for top-

down government. Organized community groups are often the bane of bureaucrats and social planners. The neighborhoods are always interfering with the execution of regional plans and the placement of public facilities. Parent groups get in the way of school experiments like open classrooms and “whole language” reading. Homeowner groups insist that police pay attention to graffiti and excessive noise instead of just the major crimes that cops get promotions for solving. And they can be awfully effective “NIMBYs” when developers seek rezonings that threaten their property values.

That schools are the matrix of a community’s social capital is actually an old idea, though its history is discontinuous. An article by Lyda Judson Hanifan (1916) was identified by Robert Putnam as the first to use the term “social capital.” Mr. Hanifan, who always went by “L. J.,” was superintendent of West Virginia’s rural schools. He advanced the idea of social capital in its modern form, but then he gave a real-life example.

Hanifan described how an enterprising new school superintendent (one Lloyd T. Tustin, not Hanifan himself) got the adults of a poor, rural district to attend social meetings in the schools, which also served as community centers. In the course of these meetings, the parents began to discuss issues of local concern. These discussions and the networks they led to improved support for the schools, but they also led to the construction of road improvements and exchange of information about farming methods, both true public goods. Hanifan, incidentally, counseled school officials not to set the agenda for these discussions, arguing that citizen cooperation had to be spontaneously generated in order to be effective.

#### **§4. How Vouchers Would Undermine Local Social Capital**

The publicness of local public schools is an argument against vouchers in the following sense. By enabling parents to select schools outside their communities and outside of local public supervision, vouchers work against the neighborhood and community networks that are the bedrock of bottom-up provision of local public goods. Community-specific social capital is more difficult to form if members of the community send their children to schools in other communities.

One might suppose that parents with vouchers would realize this and try to convince others in their neighborhood to select a voucher-receiving private school within their community or perhaps invite one to come in. The costs of doing so, however, are unlikely to be undertaken by any single person. After all, if getting to know your not-so-near neighbors is facilitated by having a local public school, not having one makes it more difficult to organize. And if parents were to do so and be successful at gathering contiguous neighborhoods into a single school, how would the outcome be different from the local public school?

One difference is that private, supplementary payments for tuition beyond that covered by the basic, state-funded voucher would not be deductible from federal income taxes, as property taxes are. Most people do not itemize deductions, though, so the deductibility of a local increment of property taxes seems less than decisive. A more decisive difference would be that a private school with a local monopoly would undermine the rationale for vouchers, which is to provide more competition and choice in education. In order to have competition in most cities, families with vouchers must be able to take them to schools outside their own communities.

My argument does not deny that vouchers would provide more competition in the supply of education. I only claim that such a system would reduce the community-

specific social capital that the local public school now provides. Because public schools make “exit” (to private schools) more costly, they promote more “voice” within the community (Hirschman 1970), and exercising that voice makes it easier for residents to exercise it in other community matters.

Schools are hardly the only places where people can get to know their neighbors, and I must admit that we did become friendly with people in our Berkeley neighborhood. It did take more conscious effort on our part, though, and we only ever got to know immediate neighbors, not people several blocks away, as we did when our son was in public school in Santa Barbara. University people that I knew from work in Berkeley were apt to live miles outside of the city, so employment contacts would not have been a good surrogate for public school contacts had we wanted to deal with a public sector problem in the city of Berkeley itself.

Public schools provide local social capital only through the networks that parents establish via their children. Children themselves also acquire a network of friends from schools, but in this respect private schools are not much different from public schools. Children who attend private schools are likely to know fewer people in their neighborhood and have to be transported to visit school friends, as my Berkeley reminiscence suggests. But this inconvenience — which did reduce contact between children — is only a modest erosion of social capital, since the term “capital” implies a longer term flow of benefits. Schoolmates are undoubtedly social capital in that the benefits last longer than the period of school attendance, but because people are so mobile after they leave school, their network of school friends is seldom community-specific social capital. Driving time aside, private schools offer as useful a form of social capital for children themselves as local public schools do.

As long as public-school parents have some reason to get to know other parents, it does not matter for my thesis what the schools teach. (It does matter how well they teach, though, because if low quality drives some parents to choose private schools, community-specific social capital for everyone is reduced.) My social-capital view does not view public schools themselves as inculcators of civic virtue in children. In this respect, my view of public schools is different from those who defend them (and oppose vouchers) on the grounds that public schools are necessary not just to educate children but to civilize them (Macedo 2000). I view the public schools as a method of civilizing their parents and other adults in the community. Moreover, the civilization process works in my view through bottom-up social networks, not top-down indoctrination. In any case, it appears that private schools as they now exist are actually more effective in promoting civic values such as tolerance and public-spiritedness among their students (Greene, Giammo, and Mellow 1999). If such values are important reasons for the establishment of public schools, they do not militate against vouchers to facilitate attendance at private schools.

## **§5. Social Capital from Private Schools Is Not Community Specific**

Research by David Sikkink (2001), a sociologist at Notre Dame, offers an implicit challenge to my thesis. Sikkink has national surveys that measure the social capital of parents of children in various types of schools. He compares the social capital indices of parents whose children attend public school with those who attend private schools, including religious schools. Sikkink found that *parents* of children in *private* schools, especially religious schools, have considerably more social capital than those whose children attend public school. He suggests that if we want to increase the social capital of parents, we should encourage private school attendance. His results support the idea

that vouchers would increase parental social capital by directing them to private schools (Smith and Sikkink 1999). The thesis of my paper would seem to be exactly the opposite of his.

One could argue that the higher social capital Sikkink observed among parents of private-school children is caused by selection bias. Only about twelve percent of children attend private schools. We know that social capital is higher among the better educated (Glaeser, Laibson, and Sacerdote 2000), and parents who send their children to nonreligious private schools are better educated than average (Coleman and Hoffer 1987, p. 31). American parents who send their children to Catholic and fundamentalist Protestant schools might also score higher on measures of political activity (on which Sikkink bases much of his social capital measurement) because of their special interest in issues such as abortion and school choice.

But suppose that selection bias does not tell the whole story and that private education actually does create more social capital for the parents than public education. The relevant issue for my question — why vouchers don't succeed — is where that social capital is to be used. My thesis is that creating social capital within the confines of a local jurisdiction is what makes it easier to provide true local public goods.

In most metropolitan areas, private schools draw students from several different communities. The twenty-one students of the East Bay Junior Preparatory school came from Berkeley, Oakland, El Cerrito, El Sobrante, Hayward, and Piedmont, not to mention Hanover, New Hampshire. My bet is that their parents would have scored high on social capital measures, but the value of the social capital that emerged from school connections was relatively low. If the parents from El Sobrante wanted to contact others in their own city in order to advocate some civic activity, knowing the parents of their child's schoolmates would not be very useful to them. Social capital is politically useful only if it is shared by many in the same political jurisdiction. My argument hinges on the role of public schools in building community-specific social capital, a role that most private schools cannot fulfill as well.

The Catholic parochial schools of the early twentieth century probably did create politically useful social capital for parents, especially those whose participation in public life was inhibited by language and religious differences. Most of the children who attended traditional parochial schools lived in neighborhoods contiguous to the parish school. (This is no longer true for most Catholic schools, whose share of enrollment has dropped from 12 percent of all public and private students in 1965 to 5.4 percent in 1990 [Byrk, Lee, and Holland 1993, p. 33].) Particularly in larger cities, parochialism once meant that most of the parents lived in the same political jurisdiction.

James Coleman and Thomas Hoffer (1987), on whose work Sikkink builds, also consider the idea that public schools provide social capital through parental contacts, which they call "intergenerational closure" (p. 226). They regard American public schools as having done so in the past, but they believe that cultural heterogeneity, household mobility, women's participation in the work force, mass media, consolidation of districts, busing, and commuting have diminished this role to insignificance (1987, chap. 1). Like Sikkink, they see Catholic schools as providing more social capital among parents. The more basic challenge to my thesis, however, is their view that almost all modern public schools are incapable of producing social capital among parents and hence (in my view) making public-goods provision more effective.

Coleman and Hoffer's view of social capital, however, is more demanding than mine. Perhaps because they focussed on parental social capital's benefit to school children, rather than its benefit to the community at large, their view demands that parents and other adults develop community norms and values and transmit them to the students (pp. 6-8, 222-27). They actually regard the fact that many families choose a residence on the basis of schools as detrimental to social capital formation (pp. 20, 23). The Tiebout world holds no charms for them because mobility severs the deeper community roots that build social capital. For Coleman and Hoffer, then, suburban schools are no better for social capital than those in the biggest cities.

My more lenient approach to social capital formation simply requires that parents get to know other parents. It does not matter whether these contacts actually improve education or transmit norms, though they probably do. As long as following their children's activities leads them to know other adults within the same political jurisdiction, public schools help form community-specific social-capital. The activity need not even occur in the schools. Birthday parties, cub scout meetings, and soccer practice all count as long as the parents one meets are from the same political jurisdiction. For this reason, I regard suburban and small-town schools as important sources of social capital for their communities. Indeed, for a mobile society (which we have always been, stories of small-town stability notwithstanding), local public schools are among the most important ways of integrating newcomers into the community. Moving to a community and then using a voucher to send one's children to schools outside that community would undermine this function.

A factor that works in favor of vouchers arises where a family's decision to move out of a community is influenced by the quality of public schools. If parents their children to attend a school in a neighboring community, they now have to move there. The move itself devalues some of the social capital that the parents had developed in their original community. If they had been able to use a voucher to send their children but not move themselves, they would have preserved their original network of acquaintances. But it must also be kept in mind that their failure to move to the community in which their children are attending school means that that community will not get the benefit of their social capital. Thus this exception is perhaps not a large offset to the loss.

## **§6. Vouchers and School Choice Work Better in Big-City Districts.**

Modern voucher programs that are confined to larger cities, as are most of the handful that are in operation (Ryan and Heise 2002 at n.14), probably do not reduce the city-specific social capital of the parents. In most of these, voucher-financed schools are within the same jurisdiction as the public schools. For these places, vouchers arguably increase local social capital because of the greater parental involvement in private school activities and governance, as Sikkink suggests.

Vouchers are also more compelling for larger American cities for another reason. American suburbs and smaller cities are usually populated by people who have had a choice of several alternative communities. One of the most important reasons for choosing a community is its schools, and, because local residents know this, they try to provide an efficient level of education to keep up their home values (Fischel 2001; Hoxby 2000). The advantages of this competitive system are attenuated in larger cities. Inner city residents are poorer than average, and their choice of communities is often further limited by racial prejudice (Yinger 1995). Voting with their feet is not as effective an option for many big-city residents. Political voice is also less effective. Home values in larger cities provide a less certain guide for public officials because political

mechanisms are more opaque in larger jurisdictions (Hoyt 1999). Interest groups rather than residents often prevail in bigger cities, so the bottom-up governance that is promoted by community-specific social capital is less compelling.

A statewide voucher system, however, would surely undermine community-specific social capital in the suburbs and smaller cities, where the most politically active voters live (Oliver 2000). Participation in school affairs might be higher for parents of private-school children when compared to those of big-city public schools, but suburban schools are not much behind private schools in this category. Statewide vouchers would threaten the suburban and small city social capital that is created by having most children attend schools within the same borders.

This is consistent with the evidence of Brunner, Sonstelie, and Thayer (2001), who found that homeowners in the better (mainly suburban) school districts in Los Angeles County were more opposed to a 1993 voucher initiative than others. Brunner and Sonstelie (2002) found a similar pattern for the 2000 voter initiative. Brunner et al. believe that this opposition was caused by a fear that vouchers would undermine the public schools in which residents had invested heavily. Residents had created somewhat better schools despite the limitations imposed by *Serrano* and Proposition 13, as I discussed in section 2 above.

The most visible manifestation of their school investment was the higher value of their homes. Brunner, Sonstelie, and Thayer suspected that it was residents' fear of a capital loss from a voucher system that made homeowners vote against it. Likely so, but the higher value of homes in places with good public schools may also reflect higher levels of community-specific social capital. Good schools are not just for the children; they have a payoff for adults in the form of better local public services.

A variation on vouchers is within-district school choice. This system, which is both more common and less controversial than vouchers, offers parents in larger school districts the choice of which individual school their children can attend within the district. Mark Schneider, Paul Teske, Melissa Marschall, Michael Mintrom, and Christine Roch (1997) examined two New York City districts (one in Harlem and the other in the Lower East Side) and two suburban New Jersey districts (Montclair and Morristown). One of the districts in the city (Harlem) and one in the suburbs (Montclair) had adopted a within-district school-choice program. Schneider and his co-authors did an extensive survey of parents in all four districts and found that those in the two school-choice districts had significantly higher levels of social capital than in the otherwise comparable district with which each was paired. For example, parents in the suburban school-choice district (Montclair) were thirteen percent more likely to discuss school issues with other parents than those in Morristown.

The Schneider et al. study does nothing to contradict my thesis, since it did not involve vouchers for out-of-district schools. Their study does confirm that local education decisions are an important avenue by which parents acquire local social capital, and they found that choice itself did generate more interaction among parents. This increment to social capital is also community specific (unlike that which would emerge from out-of-district school choices), and so my argument about social capital formation is not undermined by intra-district school choice. Nor is community-specific social capital undermined by establishment of a within-district charter school, since the parents involved in it come from the same community. A charter school whose students came from multiple districts would, however, undermine community-specific social capital in the same way that vouchers would.

## §7. Do Large School Districts Depress Social Capital?

Testing the theory that public schools provide community-specific social capital is difficult for the simple reason that public schools are so ubiquitous, and there are hardly any inter-district voucher programs. However, there is some evidence that generally supports the idea that local schools are an important source of social capital. It stems from the proposition that parental social capital may be more difficult to form in larger school districts.

School districts vary in size and in their relationship to municipal boundaries. The school district and the incorporated town or city are almost always coterminous in New England and are usually so in the rest of the Northeast and North Central states. But school districts often cover much larger areas — sometimes the entire county — in much of the South and West. I use this interstate variation to determine whether bigger school districts reduce statewide measures of social capital. I do not use municipal boundaries because in many states much of the population — including the urban population — is located in unincorporated county areas. School districts, in contrast, are everywhere.

The drawback of big districts, I submit, is that parents get to know other parents less well. Schools themselves are larger in big districts. For example, the 500 largest districts have schools whose average size is sixty percent larger than that of schools in all remaining districts ([http://nces.ed.gov/pubs/table\\_a.txt](http://nces.ed.gov/pubs/table_a.txt)). Larger schools make it more difficult for parents to get to know one another because their children's classmates are more likely to change every year. School governance is more bureaucratized in large districts, so serious parental input will be less. This would lead to fewer interactions with other parents at PTA meetings and similar functions. And larger districts are more apt to send children out of neighborhoods to maintain racial balance or to receive more specialized education, so that parents of children in the same classroom live more distant from one another. It is well established that social capital is eroded by distance. All of these factors should reduce parental social capital in large school districts.

In the regression reported in Table 1 below, the dependent variable is Putnam's **social capital index** by state, excluding Alaska, Hawaii, and the District of Columbia. (Data and sources are listed in the appendix of this paper.) My hypothesis is that interstate variations in social capital can be accounted for in part by the size of the school districts in the state and three control variables: percent college graduates, percent black, and percent public-school children. The four variables account for almost two-thirds of the interstate variation in the social capital index, an R-square that I consider reasonably large for these cross-section data.

Table 1: Determinants of state-level indices of social capital

*dependent variable:* **social capital index** (min=1.0 [NV]; max=4.14 [ND])

R Square = 0.656

Adjusted R Square = 0.624

Observations 48

<i>independent vars.</i>	<i>coefficient</i>	<i>t-Statistic</i>	<i>variable range</i>		
			<i>minimum</i>	<i>maximum</i>	<i>median state</i>
<b>%in big district</b>	-1.117	-3.26	0 (7 states)	88% (FL)	21.0%
<b>%college grad</b>	0.057	3.57	17.3% (AR)	38.7% (CO)	23.9%
<b>%black</b>	-0.038	-4.53	0.5% (MT)	36.6% (MS)	7.5%
<b>%kids</b>	10.418	2.03	14.3% (DE)	21.6% (UT)	16.6%
Intercept	-0.008	-0.01			

The key independent variable, **%in big district**, is the percent of public school children in the entire state who attend school in a district with more than 20,000 students. There are 310 such districts (of 16,365 school districts in the entire United States), and 35 percent of the forty-eight states' public school children attend a school in a district of this size. This is not simply a proxy for large metropolitan areas, since many such areas are divided into small school districts. For example, Pennsylvania, which has half of its population in the Pittsburgh and Philadelphia MSAs, has only 14 percent of its public school children in big districts. A district with 20,000 students would have a total population (adults and children) of about 125,000, given that public school children average about 16 percent of the nation's population. (I experimented with 20,000 as a threshold for "big district" by adding a variable for the state's biggest district and for districts with more than 50,000 students, neither of which added to the explanatory power.) The sign and significance level of the coefficient on this variable support my basic proposition.

The control variables are also partly school related. As Putnam and others have established, social capital is greater among the better educated, as measured by **%college grad**, the percent of adults in the state who have four-year-college degrees. Better-educated parents are more likely to participate in school affairs, so there may be some Tiebout-selection by them towards states with smaller districts, though this seems improbable to me. Better-educated parents who find themselves in large school districts may select private schools instead, which could then reinforce the negative impact of bigger school districts on social capital.

Social capital is lower in states with a large proportion of blacks, and the coefficient on **%black** in the regression results bear this out. As shown by Putnam's U.S. map (2000, p. 293), social capital is generally highest in states near the Canadian border and lowest in the states of the Confederacy. Putnam explains the latter as the legacy of slavery and Jim Crow (2000, p. 294). Without contesting this explanation, I would add that school-district size points to a path by which social capital might have been undermined in the South.

The South has long had more centralized control of schools than most of the rest of the nation. County districts have been the Southern norm, and counties have historically been administrative units of the state rather than self-governing corporate entities.

Southern states in the nineteenth century used state control of county school districts to prevent local integration, and disfranchisement of blacks after 1900 further reduced their influence on local schools (Robert Margo 1990, chap. 3). After desegregation and the federal Voting Rights Act of 1965, whites sometimes tried to form separate districts in order to avoid busing, but federal administration of civil rights legislation discouraged this (Motomura 1983, p. 227). In both instances, schools could be expected to be less effective sources of social capital for both blacks and whites.

This account points to the main problem with my regression, which is that the main independent variable, district size, itself is endogenous and thus not necessarily independent of other variables. Consistent with this is the work of Alesina, Baqir, and Hoxby (2002), who examine national, twentieth-century data to show that counties with heterogeneous populations may have formed fragmented districts in part to avoid integration. A more benign view of fragmentation's history is Goldin and Katz (2001), who saw smaller, more homogeneous districts as a source of the high school movement early in the twentieth century. In any case, school districts need to be treated as an endogenous variable in any work that seeks to be more than suggestive of behavioral relationships.

The last independent variable, **%kids**, is the percent of public school children in the population. It has a significant, positive effect on social capital, which I found somewhat surprising because of its small variation among the states. (Utah's 21.6 percent is an outlier; almost all other states lie within three percentage points of the national average of 16 percent.) It directly supports the hypothesis that children lead parents to accumulate larger amounts of social capital.

The regression is consistent with the hypothesis that voters value public schools in large part for their effect on social capital, which is valued in turn within the community for making true local public goods more plentiful. The regression does not examine how social capital maps into better local public goods, though Putnam (2000, chaps. 18 and 21) makes a strong case that it does, and this has been confirmed with a sample of Iowa cities by Tom Rice (2001).

I have not explained why, if big districts do so poorly, they exist at all in a world in which voter choices are important. My brief explanation for why Southern districts tend to be large suggests that factors such as race can override preferences for localism, but there is also substantial variation in size of districts outside of the South. However, my overall hypothesis would be far more doubtful if I were to find that social capital was the same or higher in states with large school districts as in states with small districts. While the behavioral connections remain fuzzy, these results at least do not lead me to dismiss the theory.

The criteria that go into Putnam's Social Capital Index are given in the data appendix below. Only one of the fourteen elements even mentions local schools, which offers some assurance that the dependent variable is not related by definition to the independent variables. But it also makes one wonder how schools can be the incubator of social capital. What is it about having children and accessible (small district) local schools that makes adults more likely to entertain friends, be trusting, belong to civic clubs, volunteer their time, and vote regularly?

I would hazard that community contacts obtained through public schools have a local multiplier effect. A community-based network of acquaintances makes it easier to get some of them to join a local organization or volunteer on a community project or

come to dinner. Positive experiences from such activities create mutual bonds that increase people's sense of trust in others. Being recognized as a member of the community makes one more aware of its governance and thus more inclined to vote and possibly participate actively in public life. Even people without children who live in such communities find it easier to do all those things, since getting to know a few people in the network facilitates getting to know the others who are already plugged in. I don't claim to offer a rigorous sociological test of this notion. I offer it only to suggest that accessible local public schools may plausibly map into social capital.

### **§8. The Baby-Boomers' Parents Have the Most Social Capital.**

Another broad test of my theory examines the role of children in the rise and decline of social capital over time. Again, research by Robert Putnam (1995; 2000) provides the basis for evidence for this issue. Putnam has famously documented the decline in social capital in the United States since the 1960s. His historical measures of social capital — voter turnout, group membership, newspaper reading, surveys about trusting others — rose continuously through the post-World War II era and peaked in the early to middle 1960s. After that, almost all indexes of social capital declined steadily. As Putnam frames the puzzle, “Why, beginning in the 1960s and 1970s and accelerating in the 1980s and 1990s, did the fabric of American community life begin to unravel?” (2000, p. 184).

Putnam's explanations for the decline are candidly inconclusive. He convincingly rules out the cultural revolution of the 1960s, Watergate, family breakup, and, for the most part, women in the labor force. He ends up tentatively blaming suburbanization, with its longer commuting times, and television for keeping people at home and alone. The problem with TV as an explanation is that the timing is off by almost a decade. TV-watching grew from near zero in 1948 to nearly universal by 1955 (Putnam 2000, pp. 217, 245-46), but most measures of social capital did not start declining until the middle 1960s (Putnam 2000, pp. 438-439). If people were taking a pass on town meeting because they wanted to watch Ozzie and Harriet, the decline should have started in the middle 1950s. Putnam suggests that TV did not affect the older generation as much as the younger, which could account for its delayed effect, but the one natural experiment that he mentions (2000, p. 236), in which sociologists examined remote Canadian communities before and after TV arrived in the 1970s, found that people of all ages were equally affected (and social capital adversely affected) by the advent of television.

Suburbanization is even more off in its timing as a cause of social capital's decline. The growth of suburbs was more or less continuous throughout the twentieth century (Mieszkowski and Mills 1993). If longer commuting time was eroding social capital, the effect should have been noticed at least fifty years ago. Instead, social capital was booming through the 1950s even as suburbanization and automobile usage increased dramatically.

A tidier explanation for the decline in social capital since the middle 1960s is the baby boom and the baby bust. The baby boom began in 1946 and is conventionally dated as ending in 1964. Total fertility, the average number of births a woman would experience over her lifetime at current rates, peaked in the 1955-59 period at 3.69. To put it another way, average family size was just below four children in the late 1950s.

The group that Putnam identifies as having the most social capital, more than those just before them as well as after them, are the *parents* of the children of the baby boom. He identifies the cohort born between 1910 and 1940 as “the long civic generation”

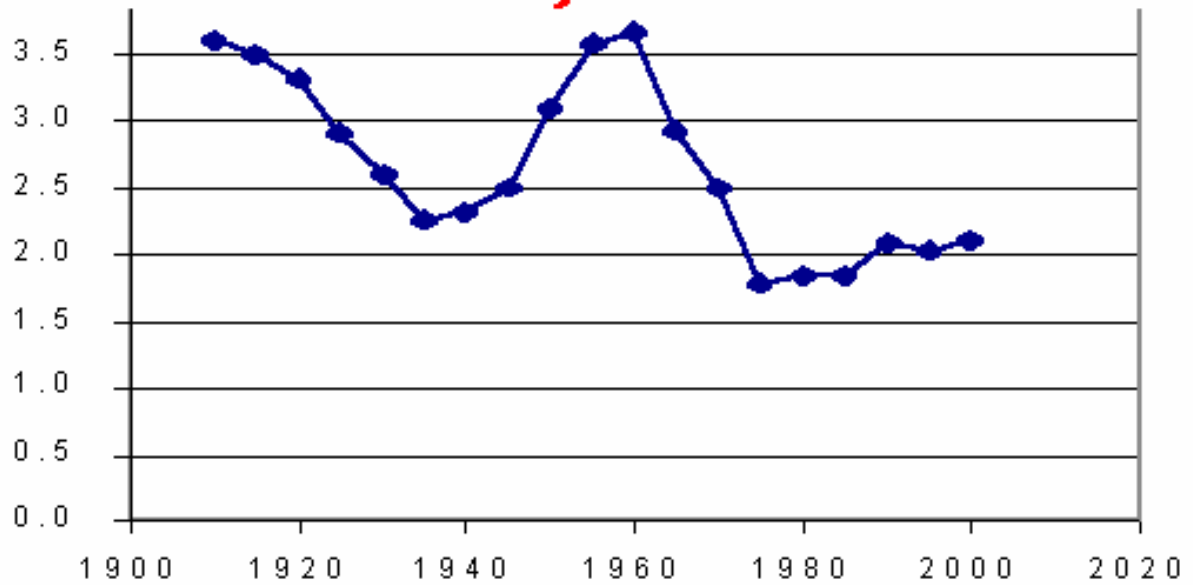
(Putnam 1995, p. 674). Those born in the years 1925-1930 are singled out as adults who represented the “culminating point of this civic generation” (p. 675).

It was exactly this cohort that parented the baby boomers. They had more children per family than any other in the period since the First World War. (Total fertility was higher in the nineteenth and early twentieth century, but that reflected a more rural society with high infant death rates and a more utilitarian view of children.) Because social capital does not deteriorate rapidly, the generation that parented the baby boom continues to lead in Putnam’s indicators of civic engagement. Put in another book’s terms, what the “Greatest Generation” was greatest at was raising children, and those children led them to create enormous amounts of social capital.

After 1958, total fertility began a continuous decline until it bottomed out in 1976 at 1.74, less than half its 1950s peak. It has rebounded since then, though only briefly exceeding the replacement rate of 2.1. The decline in childbearing after the late 1950s meant that by the middle 1960s, there were fewer first graders than the year before, and the decline continued at least until 1981. With fewer children, adults have fewer avenues by which to meet others in their community and fewer reasons to involve themselves in youth-oriented activities. Of course, a parent with only one child will invest more in that child, but the period of active engagement in child-oriented community affairs — chiefly public schools — is going to be shorter for the parents of one child than those of two, three, or four.

It may be useful to compare graphs (next page) of trends in twentieth century total fertility with that of Putnam’s longest-running measure of social capital, membership in 32 national membership organizations. (This is not his only measure, but it is the only one that has reasonably accurate data that span the century, and its post-1945 trend tracks most other measures.) The similarities are strongest from 1930 to the present. Membership organizations declined during the Great Depression, as did total fertility. Both rose from the bottom of the Depression (circa 1935) and climbed continuously to 1960, after which both began to decline. The decline for social capital was more gentle than for total fertility, and total fertility bottomed out in the early 1970s, whereas social capital continued to decline. But social capital’s less precipitous decline is likely accounted for by the fact that it is capital, and so the older generation — Putnam’s “long civic generation” — has only slowly abandoned its attachment to organizations. Fertility behavior, in contrast, can change quite rapidly and is not a “durable” statistic, inasmuch as women’s fertility declines with age.

# US Total Fertility Rate, 1910-2000



**FIGURE 1**  
**Average membership rate in 32 national chapter-based voluntary associations, 1900-1997**



source: [http://www.isuma.net/v02n01/putnam/putnam\\_e.shtml](http://www.isuma.net/v02n01/putnam/putnam_e.shtml) visited 6/02

Graph sources: Fertility: <<http://www.sru.edu/depts/artsci/ges/d-3-8.htm>>; Associations: <[http://www.isuma.net/v02n01/putnam/putnam\\_e.shtml](http://www.isuma.net/v02n01/putnam/putnam_e.shtml)>. Both visited June 2002.

The major divergence between the two trends (fertility and association) is at the beginning of the twentieth century, when organizations were rising but fertility was still falling. This seems explicable by the newness of the organizations in 1900 — a time that Putnam points out marked the invention of the modern “franchise” organization, in which clubs would open chapters in various towns and cities (2000, pp. 384-85). Since it took time to spread this idea, the expansion of clubs during the 1900-1930 period is not surprising. The other factor is that declining fertility in the 1900-1930 era marked the end of a long demographic transition from rural to urban. By 1930 American urbanization was nearly as complete as it was in 1960, so what we see after that time is the more interesting event, which is the variation of births in an essentially urban society.

### **§9. Smaller and Fewer Families Reduce Localized Social Capital**

Putnam briefly mentions the decline in childbearing as a factor in the decline of social capital (p. 278), but he combines his discussion of it with changing “family structure,” including declining marriage rates and the rise of single-parent families (2000, pp. 276-79). He finds from his regressions that changes in family structure are relatively unimportant in explaining social capital’s decline. The apparent paradox in this is that Putnam’s cross-section evidence invariably pointed to the importance of children for parental social capital, as he emphasized in an e-mail message to me (Feb. 21, 2001), after he read an earlier draft of this paper:

In all the thousands of multiple regressions I did for *Bowling Alone* ..., parental status (that is, being parents of school-aged children) is almost always a positive factor (controlling for everything else you can think of, including home ownership and education), and often is (as in the case of volunteering and attending public meetings) a powerful determinant. [Quoted with Putnam’s permission.]

The reason Putnam misses much of the impact of the baby boom is that his measure of parental status is essentially a dummy variable, as he confirmed in conversation. It registers as “1” regardless of how many children there are. This would track the evolution of the baby boom and baby bust only if changes in birth rates were equally distributed by birth order. That is, it would work if the 1960s baby bust involved as many women who chose to have no children (instead of one) as there were women who chose to have, say, two children (instead of three). But the incidence of childlessness hardly changed at all during the baby boom or the baby bust. Almost all of the massive decline in birth rates between 1960 and 1974 came from women deciding to have one or two children rather than three or more (Statistical Abstract of 1976, table 76). For most post-baby-boom women, childlessness was a temporary condition caused by having children later in life. Putnam, who clearly grasped the importance of children for adults’ social capital, may have been led to underestimate the influence of the baby boom and bust by using a variable that did not measure its major impact, ultimate family size.

In our ongoing exchange, Putnam has generously provided me with data that show the importance of family size on participation in social-capital building activities. The data in Table 2 below (next page) are from a national series of questions asked by the DDB-Needham advertising agency (described in Putnam 2000, pp. 420-24). The

numbers in the three right-hand columns refer to the average annual participation of married adults, not the children.

In general, the indicators of social-capital are higher for adults who have more children, suggesting that large families create more social capital. (The exceptions are the largest families in the later periods, as indicated by numbers in italics, and for entertaining at home.) The substantial effect of family size on church attendance could, of course, have the causality reversed, as more religious people may have larger families. But other out-of-home activities — volunteering, community projects, club meetings — seem unlikely to induce people to have larger families.

It is obvious from Table 2, though, that participation by parents does not increase in direct proportion to the number of children they have at home. In the most recent period, 1991-98, parents of four children volunteered 10 times per year, compared to 7.5 times per year for parents with two children. The differences between two and four-child families are even smaller for other categories. Family size explains some but not much of the secular decline.

Another demographic factor however, augments the effect of declining family size after 1960. This is simply the decline in the number of *households* with any children at home after the baby boom ended. There are two sources for this decline, both attributable to the aging of the baby boomers and their parents. By 1980, most children of the baby boom had turned 18 and moved out of the house. Thus their parents now became childless households, either married or living alone or with another adult. At the same time, their young-adult children were slow in starting their own families and having children, at least compared to their parents at the same age.

**Table 2: Family Size and Social Capital**

<b>Adult social-capital activity</b>	<b>number of children at home</b>	<b>1975-1983 (events per year)</b>	<b>1984-1990 (events per year)</b>	<b>1991-1998 (events per year)</b>
<b>Volunteered</b>	One	5.5	5.5	5.8
	Two	7.6	7.1	7.5
	Three	8.3	7.9	9.3
	Four	8.2	8.6	10.0
	Five or more	9.7	9.2	10.6
<b>Worked on community project</b>	One	2.4	1.9	1.7
	Two	2.8	2.0	1.9
	Three	2.9	2.2	2.1
	Four	3.0	2.6	2.1
	Five or more	3.4	2.2	1.6
<b>Attended club meetings</b>	One	7.9	5.9	4.7
	Two	9.7	6.4	5.3
	Three	9.8	6.8	5.8
	Four	10.3	7.1	5.5
	Five or more	10.7	6.4	5.1
<b>Attended church services</b>	One	22.7	21.7	20.9
	Two	25.3	23.2	22.6
	Three	27.6	25.7	25.3
	Four	30.1	28.0	30.0
	Five or more	32.8	30.8	28.7
<b>Entertained at home</b>	One	15.0	11.3	10.1
	Two	14.4	11.3	10.0
	Three	14.3	11.4	10.2
	Four	13.8	10.4	9.7
	Five or more	13.7	9.9	8.9

Source: DDB-Needham Survey, described in Putnam (2000, pp. 420) and compiled by Robert Putnam for the author, April 2002.

The result of this was a substantial change in the nature of communities. Consider that households with children at home constituted 45 percent of all households in 1970. Most baby-boom kids were still at home, and community life centered around children and schools. By 2000, the fraction had declined to 33 percent (Fields and Casper 2001, p. 4). Households without children at home now outnumber those with parents living with their minor children by a ratio of two to one. Moreover, most of this decline came from those most likely to form community-specific social capital, the two-parent family with children at home. In 1970, 40 percent of all American households were married couples living with their own children. By 2000, only 24 percent of households were married couples with own children at home (Fields and Casper 2001, p. 3).

In considering the social-capital effects of the increase in households without children, it is important to recall that households correspond by definition with occupied housing units. A community with 10,000 housing units in 1970 had almost half of them occupied by adults who had at least one school-age or pre-school child. Thirty years later, that same community had only one-third of its housing occupied by adults who were likely to meet one another through child-oriented events, and many fewer of them would be mother-father units whose division of labor facilitates parent participation in schools and community-related activities. Combined with the aforementioned fact that those who nowadays do have children have fewer of them, the child-oriented pathways between households within the same community seem likely to have declined by at least fifty percent between 1970 and 2000.

There are a number of other explanations for long-term declines in social capital, including rising of income inequality and increasing labor force participation by women (Kahn and Costa 2001). While I would not claim that variation in school-age children is the only explanation, it is the only one that does all three of the following: (1) It explains both social capital's rise and its fall; (2) it gets the timing of its peak right (early 1960s); and (3) it offers a plausible behavioral path of causation, variations in family size. I must concede that family size and women's labor force participation are no doubt jointly determined for many households, so it would be presumptuous to privilege one over the other. However, Kahn and Costa's measure of income inequality is suspect because they measure metropolitan-wide income inequality, when the relevant area for social capital is more local. Inequality within local governments could have been reduced — Downs (1994) charges that local zoning contributes to greater homogeneity of housing types and thus less income inequality — at the same time that metropolitan inequality increases.

If the post-1960 baby bust does explain a substantial portion of the decline in social capital of their parents (and nonparents), it is good news and bad news for advocates of social capital. The good news is that social capital has not declined because people have not become more selfish, unless one counts the decision to have fewer children as being more selfish. (Some do consider it that, but others regard having fewer children as being more socially responsible.) Nor does TV deserve so much blame for diverting people from face-to-face contact. (Radio took some of the same criticism in the 1920s without having much impact on social capital.) The reason for the decline in social capital may be just that there are fewer reasons to be engaged in civic affairs when people have fewer children, and the pathways to knowing other adults are sparser if there are fewer children to lead them.

But social capital's decline does remain worrisome. The bad news about small families and childless households is that social capital spillovers are going to be fewer as people have fewer children. That people have any at all in a nation in which children do not add to family wages or old-age financial insurance has puzzled sociologists. Schoen et al. (1997) suggest that one reason people have children may be to improve their own social capital. Even if that is true, children and social capital may be underproduced if would-be parents can free ride on the stock of social capital created by others.

The primary issue I am concerned with in this paper, however, is not social capital generally, but the community-specific social capital that local public schooling promotes. Adults may yet find alternative ways to build social capital without having school children around, but it is less likely to be the kind that makes local governments work better.

Meeting people through work or church or athletic organizations or the internet does build a network of acquaintances (my minimalist definition of social capital), but because people in those networks are apt to live in many different municipalities, it does little to help overcome free-rider problems in local governments. Some studies confirm, though without looking at municipal boundaries, that spatial proximity and knowing one's neighbors are important in providing local public goods (Glaeser and Sacerdote 2001).

### **§10. Childless Voters Also Gain from Local Schools**

Adults who expect to have no children in the school system, either because their children are grown or because they plan never to have children or to move away before they do, nonetheless have an economic interest in local schools. This is a good thing, since they constitute a majority of the potential voters in most communities. The financial reason for their interest, which I have explored previously (Fischel 2001, chap. 6), arises if they own a home.

As long as their home can be sold to someone who has children, childless voters would not find it in their interest to trash the local school budget. If the local school's test scores go south, their home's value goes south along with them. (This assumes that the school's reputation is a durable good, so that sinking the school budget in order to lower taxes now is something that might take years to repair.) And devaluation hurts: For the vast majority of homeowners, who in turn constitute the majority of voters, their homes constitute almost all of their financial net worth (Engelhardt and Mayer 1998). The impressive thing about American local schools is that the majority of voters who are childless do not usually turn out at election time to save themselves tax money by voting down local budgets.

The social capital argument offers another reason that childless voters might support local schools. The twist here is that it applies to renters as well as owners. If local schools are the matrix of community-specific social capital, then it would pay all residents to defend schools against alternatives that would remove children from their locality. As long as they suspect that the quality of other (true) local public goods depends on the development of community-specific social capital, adults without children in school would be inclined to oppose vouchers and promote better local public schools. They don't have to be homeowners to feel that way.

Another aspect of American life that my view explains is the ubiquity of sports teams that are attached to public schools. In most of the rest of the world, where public schools are seldom locally controlled, sports and schools are not closely tied. (Putnam [2000, p. 183] notes that for as much as measures of social capital have declined in the United States, they are still above those of most other nations.) There is no educational reason to connect spectator-sport competitions with schools. One reason for doing so is that school-based spectator sports add to the social capital of the community, including people who have no children in school. Spectator sports are a way by which people get to know one another in any case, but having the sports organized along community lines is a way of building social capital that is useful within that community. People without children can connect with parents at sporting events (or at other school-based activities such as concerts) and thereby increase both their own and the rest of the community's social capital. A youth sports league system in which team members were picked from a variety of communities would be less successful in doing that.

## **§11. Voucher Financing Misses Childless Voters**

Most proposed voucher systems contemplate financing education from either the state or the national government. In this respect, voucher advocates are the same as the reformers on the other side of the political spectrum, who have worked through the courts to centralize funding of education. The left-leaning centralizers, of course, do not propose to give the money to families or undermine the local school's local monopoly. (A notable exception is the embrace of vouchers by Coons and Sugarman [1978], whose earlier work [1970, with Clune] supplied the intellectual basis for *Serrano* and related school-finance litigation.) The problem that both reforms have in common is childless voters. The majority of voters in most communities don't have a direct, consumer interest in education.

As I pointed out in the previous section, childlessness is less of a political problem for locally-funded schools. Capital gains from better schools accrue to childless homeowners as well as those with children in school. (The travails of schools in districts containing many adults-only housing developments is testimony to this.) The same is not true for statewide funding. Better state schools do not translate into capital gains for homeowners, because most homebuyers search within a single state. The switch from local funding to state or national funding thus causes childless voters to lose interest in the schools, as Harris, Evans, and Schwab (2001) found using a national sample. The political will to fund state or nationally distributed vouchers must come not from the common interest of local voters in their home values, but from state and national politics.

Would state and national funding for schools be as generous as the collective efforts of individual communities? The question at first blush seems ludicrous. The national and even the state governments have superior fund-raising resources, and they need not worry as much as local governments that raising taxes will cause taxpayers to leave their jurisdiction. But they also have a distinct drawback. The state and national governments have a vast array of funding categories and an even larger array of interest groups clamoring for those funds (Courant and Loeb 1998, p. 115). At the state and national level, education becomes just one more claim on the budget.

Education does, of course, have a powerful interest group in the state capitols — the education lobby, fueled primarily by teacher unions. Under current, nonvoucher centralization, the influence of teacher unions may have offset some of the decline in support for education by childless voters. This apparently hasn't improved educational outcomes, because unions support spending that benefits their members and only incidentally children's education (Hoxby 1996). Be that as it may, it must be understood that under a statewide voucher system, teacher unions would have less influence because they would have fewer members. Private schools are more difficult for a union organizer to crack than public schools. Thus a state-funded voucher system would have fewer advocates in the state capitol and might be more poorly funded, though it might still be more efficient than public schools funded by the state (rather than local) government.

## **§12. Local Funding for Vouchers Foregoes Local Control**

Voucher enthusiasts to whom I have explained the problem of childless voters reply by saying that the vouchers could be funded locally. A well-funded voucher program would make the homes in that community more valuable, which would in turn draw in the support of childless voters. The prospect of getting large checks from the local

government to be spent in any private school would make location in that community more attractive to families with children and bid up all home values. So I concede that it might be possible to structure private-school vouchers to make their financing as attractive to childless voters as a good local public school system.

What remains lost under locally funded vouchers are the true local public benefits of having most children attend common schools within their community. Parents would not know as many people in their own community because most of their children's classmates would be from another community. Even if private schools could be easily built in established neighborhoods, both specialization and scale economies in education would cause substantial cross-neighborhood and intercommunity movement of students. The true local "publicness" of local public schools would be reduced under any voucher system, whether funded locally or nationally.

Moreover, having a system of locally funded vouchers would surely run into the same objections to inequality that have prompted the education-finance litigation movement. The inequalities would be at least as glaring as they are in public school funding, but the counter-argument of "local control" would be less persuasive. The *parents* have better control over education under a voucher system — it is a more credible threat to an underperforming schoolmaster to move your child to another school than it is to move your household to another town — but the locality controls nothing but the fund raising.

A locally funded voucher system would not last long in the political arena even if it survived the creative applications of state constitutional law by which nearly half of our state supreme courts have undermined local financing of education. If the public role in education is just to provide the dollars, it is difficult to argue that the dollars should not be equally dispensed everywhere. That requires state or, better yet, national funding. Local funding for vouchers might not be a stable political equilibrium.

If the true public-good aspect of public education is that it provides social capital for providing other local public goods, one can see why school-finance centralization has not induced the voters to embrace vouchers. State-funded systems like those in California and Hawaii at least keep most children in the neighborhood. And even in states with a high degree of centralization, many localities are able to enhance their local schools with private funds (Brunner and Sonstelie 1997).

One can also see why inter-district, racial integration plans are sometimes resisted even by groups supposed to benefit from them. Sending their children out of the community weakens the ties among parents within it, which may account for the unexpected resistance to recent plans to integrate Hartford, Connecticut's schools with those of its suburbs:

Recently, African American parents have spoken out against the Connecticut Supreme Court's focus on integration. These parents want the State of Connecticut to focus on the quality of the education their children receive rather than the number of white students seated next to their children. These parents want their neighborhood schools to be as good as those in the suburbs. As one African American parent in Hartford stated, "I don't give a hoot about integration .... I just want to make sure when my child leaves school that he has just as good an education as any child in Glastonbury, Avon or Simsbury." (Mioli 2000, pp. 1912-13, footnotes omitted, ellipsis in original). (Coleman and Hoffer [1987, p. 22] also point out that busing undermines community social capital.)

### §13. Public School Governance Creates “Tocqueville Capital”

I have so far offered an explanation for why voters might prefer a system of locally-financed public schools over both a state-financed public school system and a voucher system than lets families choose among private schools. One question remains: Why not have a local public school that is privately run? That is, have the district collect the local taxes but pay the monies to private entrepreneurs to run the local schools for the community’s children. All residents of the community would be entitled to send their children to this system, and the zero-marginal-cost condition would encourage most to attend, thus building up community-specific social capital.

There are examples, though hardly a dominant number, of communities in New England that operate by such a system. I know of several schools in Vermont and New Hampshire that have private boards of trustees but are designated the public high school for the community, so that all residents can attend for free. But even there, schools have a strong component of local control, with almost all trustees being elected locally. A modern variation on this are the Edison Schools, a school-management company that contracts to take over public schools or establish charter schools, usually in cities with a history of poor student achievement. But neither of these examples is widespread. Edison, founded in 1992, educates 75,000 of the nation’s 53 million school children, less than two-tenths of one percent of the total. The exceptions prove the rule: Public funding seems inevitably to result in public governance. Why?

One reason is that public governance itself provides another level of community-specific social capita. I will call this form “Tocqueville capital,” in honor of Alexis de Tocqueville’s observations about local institutions as training grounds for democratic life in *Democracy in America* (1835, vol. 1, chap 5): “Town meetings are to liberty what primary schools are to science; they bring it within the people’s reach, they teach men how to use and how to enjoy it.”

Tocqueville capital is different from the network capital created by parents knowing one another. It is community-specific training and reputational capital for potential political leaders. Local school boards are where many political figures get their first experience with electoral politics and the intricacies of government administration. Much of this experience could be obtained from election to private-school boards of trustees and the like, but such political capital would not be as easily transferred to the local political sector because their constituents would not all be from the same jurisdiction. Community-specific political networks are more useful for a local school-board member who seeks another office in the same jurisdiction. Achieving higher office (mayor or state legislator) may be easier if voters in the school district are the same as those in the municipality. The political advantages of exploiting community-specific social capital may be part of the reason that public governance is the dominant mode of organization for local schools.

The movement towards centralization of school funding has undermined this public-goods aspect of local schools as well. In a state-funded system, the key to obtaining more funds is influencing your state representatives, not persuading your fellow community members (Timar 1994). Local school boards in states with centralized education financing have little power and get little attention from the voters. The board is thus less important as stepping stone to local public office. The “advantage” of not having to worry about local budget review is a disadvantage in providing a springboard for political careers. As Peter Schrag quipped about California’s revenue-poor school boards, which now attract people with personal crusades instead of sober-sided citizens

concerned that their taxes are being put to good use, “No representation without taxation” (1998, p. 74).

#### **§14. Conclusion: The Past and the Future of Vouchers**

Leon Botstein, president of Bard College, wrote a column about education in the *New York Times* during the presidential election campaign (Sept. 19, 2000). It was titled, “Why Local Control?” Botstein could find no coherent reason to continue the “patchwork quilt of local governance.” He dismissed school boards as too eager to fire school superintendents and the electorate as too inclined to make children “victims of voters’ frustration.” He concluded, “A real ‘education president’ would be one who admits that our education crisis cuts across state lines, and that the solution is a federal system based on national standards and paid for with federal dollars.”

The message of crisis, delivered from both the right and left on the political spectrum, produces an odd result in voters. Polls show that most Americans are worried about *other* people’s schools, not those in their own community (NPR/Kaiser/KSG 1999; Moe 2001). Attentive citizens apparently believe a crisis must be happening somewhere, even though it does not comport with their local experience or with the outcomes of easily-recalled events of the past. America’s alleged educational failures were formerly offered as an explanation for why we were falling behind the Russians in space (circa 1950s) or growing economically less rapidly than Japan (circa 1970s). No one seems to be attributing the current superiority of American scientific and economic performance to an improved public education system.

This article is intended to set out a possible explanation for Americans’ persistent preference for local public schools despite experts’ lamentation over their inadequacies. I submit that they prefer localism in schooling because it provides better local public goods, broadly conceived. I have not, however, described the mechanism by which the public has become inarticulately attached to my reading of localism’s virtues. I could invoke the method of positive economics and argue that I do not need an account as long as the theory yields correct predictions. The correct prediction here is that a general system of vouchers is a political loser. But given that there are other possible explanations for this condition — such as historical “path dependence” — some account of how the public becomes attached to local schools might be in order.

To that end, I invoke “historical evolutionary” inference. I operate under the suspicion that more-or-less voluntary institutions that last for a long time in a democracy might persist because those served by them are better off. The alternatives are weighed by the voters over a period of years, and those that don’t work are rejected sooner or later. In contrast, the “path dependence” stories regard institutions as prone to being stuck in inefficient historical ruts. Although he does not invoke it specifically, Terry Moe (2001, p. 290) implicitly endorses the path-dependence idea, concluding from his intensive survey work that voters are too addicted to the status quo of public schools to pull the lever for vouchers. (He forthrightly rejects that it is just the political muscle of teachers’ unions, since voucher supporters in the 2000 California initiative actually outspent the unions but still lost by the same lopsided margin as the 1993 initiative, in which the unions had greatly outspent voucher advocates.)

But the path-dependence stories in other contexts turn out to be less than meets the eye when the facts are examined more carefully. For example, Paul David’s (1985) offered of the persistence of the QWERTY keyboard layout as an example of inefficient path dependence. This has been convincingly exploded by Liebowitz and Margolis

(1990), who found that QWERTY was the product of much competition and remains no less efficient than alternative layouts.

Local public schools are likewise the product of a long and contested history. Few public institutions are as competitive and experimental as American local governments (Teaford 1975; 1979; Schneider 1989). Americans have tried alternative educational arrangements in the past two centuries, including private schools, federal land grants, and statewide funding (Cubberly 1919; Tyack, James, and Benavot 1987). In a political regime as close to voters as American local government, one would expect that incremental changes would lead to institutions that better served the demands of the voters.

To be specific, institutional changes that would undermine the formation of local social capital would be voted down or, if imposed upon people within a state, would encourage emigration from and discourage immigration to the state. Even for those who stayed, the decline in property values would be worrisome. State governments are responsive to local concerns, especially given the local basis of state legislative elections (in contrast to the at-large and proportional voting systems of Europe). Legislative changes that reduced the attractiveness of many locales would tend to be rejected or have short lives.

This is not to say that localism was ever the only noneducational goal in public schools. From its earliest days, the system of localism has lived in active tension with state-level egalitarianism, which has long sought to have schools financed equally by the state (Cubberly 1919; Keller 1994). Only in the last thirty years have the state courts disturbed this political tension by putting their considerable political capital on the side of centralization of funding. The renewed interest in vouchers may be an offspring of the decisions of state courts, decisions that are not the product of voter discontent with their local public schools.

Judge-made centralization of funding over the last thirty years appears to have caused a decline in average educational results (Husted and Kenny 2000; Peltzman 1996). This in turn has energized the private-school movement (Downes and Schoeman 1998), which had long been a complement to public schools, albeit a distinctly subsidiary one. It seems reasonable to predict that vouchers will tend to succeed in cities in which the combination of centralization and poor schools overcomes the weakened attraction of public schools in promoting local social capital. In most other places, however, local salvage operations of the type seen in California will probably keep the public schools politically viable though wounded.

State supreme court judges, the modern force behind centralization and loss of local control, seem impervious to any criticism of their school-finance decisions. Most state judges forestall criticism by wrapping their decisions around the language of *Brown v. Board of Education* despite its poor fit with the facts of school finance cases (Fischel 2001, pp. 103-108). (In California, tax-base equalization, the chief element of school finance reform, penalized a majority of poor and minority students, most of whom lived in districts whose large commercial tax base offset the lower residential property values.) It seems safe to predict, then, that the pressure for vouchers will continue for a long time.

This is hardly a bad thing. The voucher system has many virtues in promoting more individual choice among families and creative competition among suppliers. The present paper gainsays none of those benefits. It is merely my purpose to point out that the public's continuing affection for local public schools may not be entirely irrational. However inchoate "community-specific social capital" may be, voters' longstanding regard for its everyday benefits may be what restrains widespread support for a general voucher system.

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## § Appendix

Below are the data for the regression reported in Table 1, sorted by Putnam's social capital index. School district data are from the National Center for Education Statistics for 1997-98 <<http://nces.ed.gov/pubs2001/overview/>>, and other data are from the 2000 Census. Putnam's social capital index is available at <<http://www.bowlingalone.com/data.php3>>. I added 2.43 to Putnam's index so the minimum is 1.00 rather than -1.43. His Social Capital Index is composed of the following fourteen indicators:

1. Agree that "I spend a lot of time visiting friends"
2. Agree that "Most people can be trusted"
3. Agree that "Most people are honest"
4. Attendance at any public meeting on town or school affairs in last year (percent)
5. Number of civic and social organizations per 1000 population
6. Average number of club meetings attended in last year
7. Average number of group memberships
8. Average number of times volunteered in last year
9. Average number of times entertained at home in last year
10. Average number of times worked on community project in last year
11. Number of non-profit (501[c]3) organizations per 1000 population
12. Served as officer of some club or organization in last year (percent)
13. Served on committee of some local organization in last year (percent)
14. Turnout in presidential elections, 1988 and 1992

Data sorted by social capital index (highest = 4.14, lowest = 1)

state	Social K index	%in big district	% black	%college grads	%kids
North Dakota	4.14 (1 <sup>st</sup> )	0%	0.8	22.3	18.5%
South Dakota	4.12 (2)	0%	0.9	25.6	18.9%
Vermont	3.85 (3)	0%	0.7	28.3	17.4%
Minnesota	3.75 (4)	22%	4.1	32	17.4%
Montana	3.72 (5)	0%	0.5	24	18.0%
Nebraska	3.58 (6)	26%	4.4	20.4	17.1%
Iowa	3.41 (7)	6%	2.5	21.7	17.1%
New Hampshire	3.20 (8)	0%	1	27.2	16.3%
Wyoming	3.10 (9)	0%	1	22.3	19.7%
Washington	3.08 (10)	23%	4	28.6	16.8%
Wisconsin	3.02 (11)	17%	6.1	23.6	16.4%
Oregon	3.00 (12)	22%	2.1	26.8	15.8%
Maine	2.96 (13)	0%	0.7	22.9	16.7%
Utah	2.93 (14)	63%	1.1	27.9	21.6%
Colorado	2.84 (15)	52%	4.4	38.7	16.0%
Connecticut	2.70 (16)	8%	10	33.5	15.7%
Massachusetts	2.65 (17)	12%	6.3	31	14.9%
Oklahoma	2.59 (18)	13%	8.3	23.7	18.1%
Missouri	2.53 (19)	17%	11.7	23	16.3%
Idaho	2.50 (20)	20%	0.6	20.8	18.9%
Arizona	2.49 (21)	39%	3.6	24.2	15.9%
Michigan	2.43 (22)	15%	14.8	21.3	17.1%
Delaware	2.42 (23)	18%	20.1	24	14.3%
Rhode Island	2.37 (24)	17%	5.5	26.8	14.6%
Indiana	2.35 (25)	14%	8.8	18.4	16.2%
California	2.25 (27)	45%	7.4	27.1	17.1%
Ohio	2.25 (26)	16%	12.1	25.5	16.3%
Pennsylvania	2.24 (28)	14%	10.5	23.9	14.8%
Illinois	2.21 (29)	27%	15.6	25.6	16.1%
Maryland	2.17 (30)	87%	28.8	34.7	15.7%
Virginia	2.11 (31)	49%	20.4	31.6	15.7%
New Mexico	2.08 (32)	33%	2.3	24.5	18.2%
New York	2.07 (33)	42%	17	26.9	15.1%
New Jersey	2.03 (34)	8%	14.4	30.5	14.9%
Florida	1.96 (35)	88%	15.5	21.6	14.4%
Kansas	1.93 (37)	21%	6.3	26.5	17.4%
Arkansas	1.93 (36)	10%	16	17.3	17.1%
Texas	1.88 (38)	49%	12	24.4	18.7%
Kentucky	1.64 (39)	21%	7.7	19.8	16.6%
North Carolina	1.61 (40)	40%	22.1	23.9	15.4%
West Virginia	1.60 (41)	10%	3.5	17.9	16.7%
South Carolina	1.55 (42)	31%	29.9	20.9	16.4%
Tennessee	1.47 (43)	41%	16.8	17.7	15.7%
Louisiana	1.44 (44)	50%	32.9	20.7	17.4%
Alabama	1.36 (45)	30%	26.3	21.8	16.8%
Georgia	1.28 (46)	45%	29.2	21.5	16.8%
Mississippi	1.26 (47)	6%	36.6	19.2	17.7%
Nevada	1.00 (48 <sup>th</sup> )	82%	7.5	20.2	14.8%