

BOOK REVIEW

Private Enterprise and Public Education

Edited by Frederick M. Hess and Michael B. Horn
(Teachers College Press, 262 pp., \$34.95)

By Joselynn Hawkins

Determining the proper role of for-profit providers in the education sector is an ongoing policy issue. While for-profits have made significant headway in certain parts of the sector, such as higher education and pre-K, there is still a general sentiment among lawmakers and the general public that nonprofits and public providers should be the preferred choice for many education services. The skepticism of for-profit providers generally stems from the belief that their profit motive creates an undesired incentive to cut corners when providing services. Indeed, federal investigations into for-profit colleges have raised a number of concerns over their aggressive recruitment practices, poor completion rates, and high student loan default rates (GAO 2010). Yet, even critics of for-profits acknowledge that they tend to be more nimble than their public and nonprofit counterparts and have been successful at filling the gaps in service left by public and nonprofit providers. What then is the proper role of for-profit organizations in education? The book *Private Enterprise and Public Education*, edited by Frederick Hess and Michael Horn, seeks to shed light on this question by exploring the nuances of for-profit involvement in education.

Private Enterprise and Public Education is an edited collection of ten chapters that explores the many facets of for-profit education providers, including their history, business practices, regulatory landscape, and role in providing students with access to educational services. While the book is not the first to look at the role of for-profits in education, it is unique in that it considers their role in the pre-K, K-12, and higher education contexts. In addition, the authors bring with them a wide range of experiences in the public, nonprofit, and for-profit sectors that allow the book to seemingly move beyond the simplified good versus evil discussion in favor of a more nuanced dialogue on the strengths and weaknesses of the sector.

Andrew Kelly's discussion on the politics of the for-profit debate is appropriately chosen as the first chapter of the book. To readers somewhat familiar with the topic, the question of for-profit involvement in education could appear to be a simple partisan issue. Indeed, Kelly acknowledges that the debate tends to reflect philosophical differences between liberals and conservatives. Nevertheless, the complexities of for-profit involvement move the conversation beyond Democrats versus Republicans. Kelly argues that

while Republicans typically have been supportive of for-profit involvement in education, especially at the higher education level, they share Democratic skepticism of for-profits managing K-12 schools. Likewise, the Department of Education's efforts to regulate for-profit colleges in light of concerns over fraud and abuse in the sector caused a rift in the Democratic Party due to concerns that the regulations could hinder access for underserved students. Kelly finds similar trends in public opinion, with Americans more supportive of for-profit organizations providing supplementary and postsecondary educational services but not with for-profit organizations running K-12 schools, and he suggests the politics of for-profits can be understood in terms of the degree of social risk associated with for-profit providers offering specific services. Indeed, as Kelly notes, a poor performing for-profit K-12 schools would have significantly greater social costs than a low quality tutoring provider. Thus, policymakers and the public appear to be risk averse to for-profits providing those services that have high social costs. Kelly's discussion of the politics and economics of the for-profit discussion effectively illustrates the importance of context and provides the reader with a useful overview of the complexities of for-profit involvement in education.

As a fitting follow-up to Kelly's discussion on politics, the next two chapters use interview data to compare for-profits to nonprofits on a number of dimensions. In chapter two, author Mickey Muldoon considers the costs and benefits of nonprofit and for-profit tax status and suggests the universal advantages that for-profits have over nonprofits should make them the preferred choice for the hypothetical K-12 education entrepreneur. For the non-entrepreneur reading the book, the insights provided by the interviewees who have spent time in both the nonprofit and for-profit sector suggests the moral superiority of nonprofits may be unwarranted as they face similar ethical challenges as for-profits.

In chapter three, author Ben Wildavsky explores the sector differences at the higher education level and suggests several lessons from the organization and culture of for-profit institutions that could be used to inform public and nonprofit institutional practices. In both chapters, the authors draw on non-random interview data, thus limiting the generalizability of their conclusions. Nevertheless, despite the methodological limitations, the interview responses should evoke the reader to question the superiority of nonprofits and public providers over for-profit providers in education.

In chapter four, author Todd Grindal offers a somewhat critical perspective of for-profit involvement in education by considering its role in pre-K and early childcare. While acknowledging that the flexibility and convenience of for-profits allows them to fill critical gaps in childcare services not met by public sector programs, Grindal notes the quality of some of these programs is questionable. Research suggests that, on average, the quality of for-profit programs is below that of nonprofit and public programs, although substantial differences exist across the sector. Grindal raises the important point that information asymmetries in the market make it difficult for parents to decipher the good actors from the bad, thus allowing poor performing programs to persist. Grindal's discussion of information asymmetries is crucial to understanding for-profit involvement in education as it can occur at the K-12 and higher education levels. Indeed, regulations that require for-profit colleges to report and disclose certain outcome measures illustrate the need for transparency, a topic saved for chapter nine (Federal Register 2010).

The next two chapters consider the regulatory and policy environment surrounding for-profits. In chapter 5, author Michael Horn discusses the incentives and structure of for-profit and nonprofit organizations using the theory

of disruptive innovation and argues that for-profit organizations are not inherently good or bad, but instead, they respond to the incentives provided by regulations. He proposes that “smart” regulations that reward and pay for outcomes and efficiency instead of inputs or processes are needed in education, but he stops short of offering any real examples of what those smart regulations would actually entail. In chapter six, author John Bailey considers how government policies are supportive of private sector innovation in addressing major social challenges in areas such as health care and the environment but exclude for-profits from many education issues. He argues that, in order to address the challenges facing education systems, policymakers must move beyond the question of whether for-profit companies should be involved and instead consider how they can best be utilized to meet educational objectives. While Bailey’s discussion illustrates some of the inconsistencies in the way for-profits are treated across different policy areas, Bailey fails to adequately address the counter argument that education might be fundamentally different than other policy areas and thus deserves different regulatory treatment. Indeed, Kelly raises this question in his chapter on politics and notes that concerns over the quality of services provided by for-profit organizations are more prevalent in education than other policy areas, like health care.

In chapter seven, Horn returns again with a discussion on the rise of online learning and how it has enabled for-profits to expand their role of providing supplemental education services at the K-12 level by allowing them to also provide direct education services through online learning schools. While Horn draws an interesting distinction between online learning schools at the K-12 and postsecondary levels, his discussion on for-profit companies’ ability to scale rapidly is redundant with his earlier chapter on disruptive innovation. Perhaps most

useful to the reader is his discussion on for-profits’ ability and motivation to advocate for policy and regulatory changes, an important topic only briefly discussed prior to Horn’s chapter.

Moving ahead to chapter nine, author Matthew Riggan offers a remarkable account of the state of evaluation in the for-profit sector. He considers how the profit motive of for-profits shapes evaluation practices and the obvious hesitation both for-profits and nonprofits have in opening their programs to outside evaluators. He argues that the disconnect between the interests of for-profit schools and policymakers makes it difficult to achieve transparency in the market place and proposes policy recommendations to bring their competing objectives more in-line. Riggan’s chapter is extremely valuable as concerns over the quality of for-profits compared to their nonprofit and public counterparts highlight the need for increased transparency and evaluation.

Chapters eight and ten are somewhat less useful in informing the conversation on for-profits. In chapter eight, authors Stacey Childress and Tamar Battaglinio consider how philanthropic donations interact with the market and propose a framework that is arguably only useful for foundations. Perhaps most perplexing is the inclusion of Chris Whittle’s chapter on the merits of for-profit criticism. Admitting his strong point of view, Whittle poses a number of questions illustrating his frustration with the tendency for discussions of for-profit involvement in education to focus on tax status. Whittle’s biased opinion in support of for-profits breaks from the balanced accounts offered by many of the previous chapters and does little to move the discussion away from the good versus evil question.

Private Enterprise and Public Education is valuable for anyone interested in the role of for-profit organizations in the education sector. It makes a compelling case for the need to move beyond a simplified good versus evil debate and

consider the best ways for-profit organizations can be utilized for meeting education policy objectives. By exploring the strengths and weaknesses of for-profits in a variety of contexts, the book effectively illustrates the nuances of for-profit involvement in education.

At the same time, while the book is meant to provide a balanced analysis of the for-profit sector, many of the accounts tend to favor for-profits over neutrality. With the exception of a few chapters, the

book largely ignores or discounts concerns over quality in the for-profit sector. In addition, although several authors make policy recommendations, these, at times, conflict with earlier recommendations, thus leaving the reader with more questions than solutions. Nevertheless, the book is effective at getting the reader to think differently about for-profits and is useful for anyone interested in the role of for-profit organizations in education.

References

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