

The Unimportance of Spending: How Fractionalization Affects School Performance

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This note provides an historical example that appears to illustrate how racial fractionalization reduces school district academic performance. Hall and Leeson (*AJES*, forthcoming) find a negative relationship between racial fractionalization and school district performance in a sample of Ohio school districts. *Holding school district spending constant*, communities that are more racially heterogeneous have lower passage rates on state proficiency exams. This finding is surprising because the theoretical work of Alesina, Baqir, and Easterly (*QJE*, 1999) suggests that racial fractionalization will lead to poor public sector performance because of a decline in spending. While they show that racial fractionalization does lead to reduced spending on education, they do not look at whether that leads to reduced school performance. The empirical results of Hall and Leeson suggest that the negative effect of racial fractionalization does not operate through spending but through some other mechanism.

The following example from the Cleveland suburb of Cleveland Heights, taken from the work of historian Marian Morton (*Cleveland Heights: The Making of an Urban Suburb*, 2002), shows one way that racial fractionalization could result in lower school performance independent of spending. Cleveland Heights is a good example of a racially-fractionalized school district, as it is known nationally for its

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efforts to achieve and maintain racial integration. In May 1957, the voters of Cleveland Heights went to the ballot box to vote on a second high school that was needed because of increasing district enrollments. The vacant land available for the second high school was located primarily by the district's Jewish community. According to Morton, this led to the bond issue's resounding defeat, as whites and blacks did not want to finance a new school that would predominantly serve the Jewish community.

Unlike in the Alesina, Baqir, and Easterly model, however, this outcome did not lead to lower school spending as a few years later voters approved a similar sized bond issue to essentially double the size of the current high school. The decision to expand the current high school instead of build a second school proved problematic when district administrators determined that the larger school size was reducing student learning, a result consistent with the economics literature on diseconomies of scale in education (Driscoll, Halcoussis, and Svorny, *EER*, 2003).