

Making school pay

Why Our Kids Don't Study: An Economist's Perspective. John D. Owen. Baltimore, MD, The Johns Hopkins University Press, 1995, 136 pp., \$29.95.

High school graduates in the United States are academically among the most poorly prepared in the world. John D. Owen, in *Why Our Kids Don't Study: An Economist's Perspective*, suggests that this situation can be explained as an economic phenomenon. Students are economic beings and, in their scholastic behavior, respond to incentives, or the lack of them.

Owen, an economist at Wayne State University in Detroit, uses the tools of labor economics to analyze shortfalls in student achievement. He has tried to reach beyond economists and other social scientists by avoiding mathematical analysis, graphs and charts, and fully explaining technical terms. The result is a highly readable book that will appeal to anyone concerned with problems in education in the United States.

Owen briefly reviews the prevailing theories about why students do not study. Among the culprits are excessive exposure to television and popular music; the notion that study is a challenge to youth self-esteem; and that adults place little value on studying and achievement. Although these factors may play a part in low academic achievement, the real explanation is that studying does not pay, Owen writes. In other words, students do not see economic returns from their academic effort. Students generally may stay in high school with little effort, and upon graduation, find their academic record counts for very little in obtaining a job. In addition, colleges, particularly those that are not among the elite, may accept students more on their ability to pay than on their academic record. As a result, the labor market does not adequately reward study and does not provide

needed incentives to achieve in school.

Moreover, bias against academic achievement is a problem in the public school system, Owen writes. Institutions receive financial incentives for large enrollments, regardless of the quality of students, and may even receive additional funds when achievement drops. He also cites studies that imply a societal bias against education for its own sake when education promotes appreciation of subjects such as art and literature, or what is termed "culture."

Owen proposes to change the incentives for students, teachers, and schools. Students would work harder if schools and employers improved the exchange of student academic information and employers used this information in hiring decisions. He includes a role for Federal Government policies that could foster integration of school and work in work-study programs.

National or regional examinations might encourage students, teachers, and schools to work harder if employers used the results of these exams in hiring decisions. Policies to encourage school choice would force schools to compete for students and students would compete for school admissions.

Not everyone will agree with Owen's analysis of the problem or with his proposals, but few would dispute the need for a better educated work force to raise U.S. productivity and allow corporations to better compete in world markets. The findings and proposals in John Owen's book are valuable additions to the debate about educational reform.

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Labor rights overseas

Trade and Labor Standards: A Review of the Issues. Gary Fields, ed. Paris, OECD, 1995, \$14, 35 pp.

The decision last year by officials of the Organization for Economic Coop-

eration and Development to study trade and labor standards represented a break from the past. In April, the OECD, through the efforts of its two directorates covering trade and employment and labor issues, released the first product, *Trade and Labor Standards: A Review of the Issues*, edited by economist Gary Fields. The book aims to review the main issues of the debate on whether and how to promote labor rights internationally.

The book's strongest feature is its analytical framework. It contends that certain labor regulations may reflect "basic human rights in the workplace" to be honored in poor and rich countries alike. These include:

- a prohibition on slavery;
- a responsibility to provide information about unhealthy working conditions;
- the right of children to not work; long hours whenever family circumstances allow; and
- freedom of association.

Fields suggests that governments seek international agreements on these rights. But he does not explain why the current International Labor Organization Conventions on these issues are inadequate.

Beyond these four rights, the book suggests that setting labor standards be left to individual countries. He criticizes more ambitious efforts to coordinate labor standards for being intrusive, patronizing, or protectionist. The book also faults national laws banning the import of prison-made goods despite international trade rules that permit such bans. Fields says that if prison inmates are forced to work, their output should be marketed in domestic and foreign markets.

Another issue the book covers is whether legislation can "push up," or improve labor conditions. The author suggests that labor markets do not suffer "market failure," and that, as a result, government's role should be mini-

mal. Yet little is said about the inability of employers to tailor labor standards to each employee. Moreover, the book does not discuss noneconomic rationales for government intervention. This is an odd omission in a book about labor standards, considering the longtime international cooperation in advancing worker rights.

Fields suggests that the "pull" of economic development on labor conditions can be powerful. Relying on several studies, he concludes that higher national income translates into greater returns to labor. He also cites evidence from Asian economies demonstrating that "labour earnings do not have to be suppressed in order for outward-oriented economic growth to be rapid."

Fields also points to some negative implications. Giving "primacy to labour standards, if premature, can preclude competitiveness in trade," he says. Unfortunately, he does not cite specific examples to back this claim. The reader is left to wonder if these cases involve adherence to international labor conventions, or episodes in which governments have taken actions not required by ILO conventions, such as raising wages.

The greatest disappointment in the book is its failure to review many key issues. For example, do high labor standards contribute to human development

and economic growth? What have been the economic effects in episodes where governments retreated on legislated worker rights? Does a higher GDP per capita increase the chances that a government will ratify ILO conventions? How much international trade is produced in conditions that seriously violate core ILO Conventions?

In 1964, when the Johnson Administration first considered seeking OECD involvement in matters related to trade and labor standards, an internal Federal Government memorandum cautioned that "OECD consideration of a matter of this kind is likely to be very slow moving." More than 30 years later, this prediction remains on the mark. For a first effort, this new OECD publication is a useful addition to the literature. But as the OECD continues its work program on this topic, I hope that future studies will offer more in-depth analysis.

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State of the union

The State of Working America, 1994-1995. By Lawrence Mishel and Jared Bernstein. Armonk, NY, M. E. Sharpe, 1994, 410 pp., \$55, cloth, \$24.95, paper.

Every 2 years the Economic Policy Institute releases its latest findings on the country's economic health, with emphasis on changes affecting working men and women. In this volume, fourth in the series, the authors present a broad variety of published and unpublished data about employment, unemployment, wages, hours, family incomes, taxes, wealth, and poverty in well-crafted prose, and illustrated in 225 tables and 77 charts.

All told, their diagnosis is "one of great disparities" in income and wealth, caused partly by market disadvantages that hinder three-fourths of the work force who do not have a college degree. Their documentation of disturbing trends in wages and benefits is particularly comprehensive; much of it is based on their own original analysis of detailed data.

In their view, the forces behind those trends—shrinking manufacturing jobs, dwindling unionization, a falling minimum wage, defense downsizing, and expansion of international trade—hold out no prospect for an early decline in inequality. The fifth volume in this series, due in December 1996, will reexamine that prognosis.

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