

**Munich Economic Summit**

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**Introduction to Panel 1:**

**“Peering over the Hedge: How Do the Neighbours Do  
It?”**

**1. Learning from cross-country analyses:** Countries differ widely in their education policies and outcomes. As a consequence, cross-country comparisons provide a huge opportunity to learn what works and what does not. As Arthur W. Foshay, a pioneer in international testing, said in 1962 on the first pilot study of international student achievement: “If custom and law define what is educationally allowable within a nation, the educational systems beyond one’s national boundaries suggest what is educationally possible.” Rather than comparing any given country to just one other country, we should look at the whole sample of countries to see whether countries with certain policies perform *systematically* different (rather than being exceptions to the rule). All the following statements derive from such systematic econometric cross-country research.

**2. Educational achievement is the key to economic prosperity:** The cognitive skills of the population, measured by international student achievement tests like TIMSS and PISA and their predecessors, are the leading predictors of a country’s long-run growth in GDP per capita. Because of the crucial role of basic skills, the following statements refer to the school level.

**3. “Throwing money at schools” is not the answer:** According to extensive available evidence, simply providing more resources – direct spending, reductions in class size, and the like – within the context of current school organization is very unlikely to lead to noteworthy improvements in student outcomes. Countries with higher spending or smaller classes simply do not perform systematically better.

**4. Focus on institutions, incentives, and teacher quality:** Instead, existing evidence suggests that the institutional structure of schools is important. Foremost, the performance of a system is affected by the incentives that actors face. If the actors in the education process are rewarded (extrinsically or intrinsically) for producing better student achievement, and if they are penalized for not producing high achievement, achievement is likely to improve. The incentives to produce high-quality education, in turn, are created by the institutions of the education system – the rules and regulations that explicitly or implicitly set rewards and penalties for the people involved in the education process. Changes in the institutional structure and incentives of schools are also fundamental to improving teacher quality, a crucial ingredient in determining student achievement. The following is a list of interrelated policies that existing research has shown to be important for better results.

**5. Competition:** Countries that combine large shares of schools that are not operated by the government with government funding for all schools perform systematically better on the achievement tests. That is, students perform better in countries with more competition from privately operated schools and where public funding of privately operated schools ensures that all families can make choices. Thus, a crucial aspect of successful school systems lies in the promotion of competition, so that parental demand will create strong incentives to individual schools.

**6. Accountability:** Countries with curriculum-based external exit exams and other means that hold students, teachers, and schools accountable for the achieved outcomes perform significantly better. A second feature of successful school systems thus is an accountability system that identifies good school performance and leads to rewards based on this. There is also some indication that students perform better in countries that allow for teacher salaries to be adjusted based on performance in teaching.

**7. Autonomy:** Once schools are held accountable for their outcomes, and once a country operates at a reasonable level of development, school autonomy leads to improved student achievement, in particular in decision-making areas related to academic content and to personnel. Thus, autonomy in local decision making can help that individual schools and their leaders will take actions to promote student achievement.

**8. De-tracking:** Apart from the overall level of achievement, education systems also tend to aim for equality of opportunity for children from different family backgrounds. The cross-country evidence suggests that tracking students into different types of schools at an early age leads to a stronger dependence of ultimate achievement on family background, without any positive effect on achievement levels.

**9. Early childhood education:** Finally, the cross-country research suggests that countries with more extensive early childhood education systems achieve more equal outcomes for children from different socioeconomic backgrounds at the end of secondary school.