

Class Size and School Size: Taking the Trade-Offs Seriously

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There is some evidence, including that in other papers in this volume, that smaller classes and smaller schools lead to better student outcomes. This paper looks at the issues differently, by comparing the potential benefits with the costs. Resources devoted to establishing small school settings cannot be used for other purposes, such as teacher professional development, textbooks, or higher teacher salaries. That means that while costs receive much less attention than benefits, they are just as important as benefits for the purpose of making some educational decisions. This paper includes a discussion of cost-benefit, cost-effectiveness, optimization, and cost function approaches that economists have developed to address these issues. Based on an extensive review of research literature that uses these methods, and some new analysis, there is little evidence that smaller classes or smaller schools are cost effective. The paper also documents the long-term trends toward small classes and larger schools and tries to explain, in the absence of any research support, why these trends have arisen. It is argued that the trends are driven by market forces. Specifically, smaller classes provide observable and rapid changes in the educational environment; they improve teacher working conditions; and they often can be implemented with low "transaction costs." Small schools, on the other hand, provide fewer observable benefits and are implemented slowly; they do less to improve working conditions; and they involve high transaction costs. That appears to explain why, in the absence of clear supporting evidence, smaller classes are so popular and class size continues to decline while smaller schools are less popular and school size continues to grow.