

Cash Talks

School reform doesn't have to be so complicated. Just pay students for doing well.

A generation of reforms—including more school resources and new curricula—has failed to improve urban schools. In Oakland, Calif., near where I live, 20% of high school students drop out. Only a third meet the minimum requirements for entrance to the California state university system. The dropout problem is especially severe among African-American and Latino high school students, who are twice as likely to drop out as other students.

School vouchers are seen as a way to bring market competition into this stagnant sector of the economy. But results from early voucher reforms are mixed, and these programs continue to face challenges in the courts and state legislatures.

There is another way to bring competition into the classroom: Provide incentives to students in the form of cold cash. Adolescents often have extremely high rates of time discounting; in other words, they respond strongly to immediate punishments and rewards but do not adequately take into account the longer-term ramifications of their actions. For many adolescents the promise of a better job and higher future wages is not enough to motivate them to study today—but a \$100 cash award for doing well on a standardized exam might do the trick.

Although such payouts have not been tried in any big way in the U.S., there is new international evidence, from Kenya to Israel to the United Kingdom, that student incentives can dramatically improve learning and reduce dropout rates. Together with my coauthors (Michael Kremer and Rebecca Thornton of Harvard

University) I have examined a social experiment in Kenya that provided awards for teenage girls who performed well on their school exams. We found that having girls compete for the "scholarships"--which were awarded to the top 20% of girls in two rural districts in western Kenya--led to large gains in test scores across all academic subjects.

The award in Kenya consisted of a cash payment to the girl and her family, the equivalent of \$12 for each of the next two years--a substantial amount in a region where per capita income is only \$350. It also paid the winning girls' school fees for the next two years and publicly recognized the scholarship winners.

Popular theories in psychology and education predict that incentive awards targeted to high-achieving girls will demoralize low-achieving girls in the scholarship schools, as well as demoralize boys (who were not eligible for the award). But in fact we find exactly the opposite: There were large test score gains for girls at all levels of initial academic performance--even for the worst students--as well as some moderate gains for boys.

These improvements appear to be the result of factors such as an improved classroom study environment, more student effort on homework and greater teacher motivation; teacher absenteeism fell by more than a fourth in the program schools.

Two new studies from Israel and the United Kingdom find similar results from student incentive programs. An incentive program in poor Israeli high schools--providing cash awards to adolescents who pass their national high school exams--also led to large improvements in test scores, according to Joshua Angrist of MIT and Victor Lavy of Hebrew University. And a preliminary report by researchers at University College London suggests that a related high school program in the U.K. has also significantly boosted school completion rates there.

Student incentive programs hold great promise for high schools in U.S. cities. Rewarding high-achieving students could lead some parents to be more supportive of their children's studies, might make the good students' peers less contemptuous of academic achievement--and might even start to break down the culture of failure found in too many schools.

Doubtless some teachers will raise the objection that cash rewards will make the noble business of learning too venal. But those objections shouldn't stop us from experimenting. The evidence is too powerful that immediate gratification works with young people.

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