Revisiting Economies of Size in Education: Are We Any Closer to a Consensus?

Abstract - Consolidation remains a common policy recommendation of state governments looking to improve efficiency, especially in rural school districts. However, state policies encouraging consolidation have increasingly been challenged as fostering learning environments that hurt student performance. Does the empirical research on economies of size support for this policy? The objective of this paper is to define the factors affecting economies of size and update the literature since 1980. The best of the cost function studies suggest that sizeable potential cost savings in instructional and administrative costs may exist by moving from a very small district (500 or fewer pupils) to a district with approximately 2,000 to 4,000 pupils. The findings from production function studies of schools are less consistent, but there is some evidence that moderately sized elementary schools (300 to 500 students) and high schools (600 to 900 students) may optimally balance economies of size with the potential negative effects of large schools. Since program evaluation research on school consolidation is limited, it is time for researchers on both sides of this debate to make good evaluation research on consolidation a high priority. In addition, the potential diseconomies of size in large central city school districts needs increased attention in academic research.