TEACHERS' SALARIES—THE OVERWHELMING COST FACTOR

Which of these factors have decisively contributed to cost increases? How important a factor is the salary of the average teacher and how important is people's ability to afford good education, i.e., their income? Has the efficiency—or productivity—of the public school system changed much?

These are some of the questions for which answers are sought by relying on multiple correlation and regression techniques.

First an education unit was developed, one that appears to have been fairly uniform over the years. It is so standardized that its variety and scope are held reasonably constant and it is expressed in per pupil in average daily attendance terms. Ever since the turn of the century the costs of this education unit—daily per pupil current expenditures plus debt service minus the cost of auxiliary services—appear to have been overwhelmingly determined by the prevailing salary level of the instruction staff, and perhaps the prices of all goods and services bought by schools. However, they, in turn, are determined by the general demand and supply situation and price level of the rest of the economy, as well as the particular demand for and supply of teachers. There is some evidence that the salary of the average teacher has advanced somewhat more rapidly than the earning of other workers. This suggests that the specific demand for and supply of teachers play an important role in addition to general price level changes. An overwhelming percentage of the 1900–1958 variation of the cost of the standardized education unit can be explained, on the average, in terms of teacher salary level increases, holding constant the effect of changes in the public high school-all public school enrollment ratio, urbanization, and number of specialists per pupil.

If now current expenditures plus debt service are deflated by teachers' salaries, the 1930–57 advance is about 54 percent. It is less than the 1930–57 advance in all State and local government costs in constant dollars, which was about 88 percent. The average annual increase in constant dollars was 2.0 percent for education and 3.3 percent for all State and local government costs.

The overwhelming importance of teacher salary level in determining the cost of a public education unit raises some intriguing questions of finance, since much of the revenue of schools takes the form of property taxes. The general price level together with specific demand and supply factors for teachers can advance at a more rapid pace than the assessed valuation of real property. Not only may real property increase at a slower pace than the general price level but, more importantly, reassessments are usually at best a slow and belated process. As long as the property tax is the main revenue source of schools, general price level increases, and particularly teacher salary level increases, are likely to create major fiscal problems.

The importance of salary level changes can also be illustrated by comparing 1900–1958 total public school expenditure (minus auxiliary expenditures) in current dollars with those in constant 1954 dollars. In current dollars the 1900–1958 increase was 48-fold, while in constant dollars the increase was merely 2½-fold. If further adjustments are made for the number of pupils in average daily attendance and length of school term, expenditures in real terms are approximated. Expenditures in real terms exhibit amazing stability during 1900–1958. For the years for which data are available, 1922 was the low year with