AFTER A LOCAL TV station's hidden-camera expose, Los Angeles County began requiring restaurants to post the grades they receive on health inspections. Placards with blue A's, green B's and red C's now hang in 27,000 restaurant windows.

The notion was simple: If restaurants must publicize their grades, consumers, given information never before easily obtained, will flock to cleaner restaurants and restaurants will have good reason to clean up their acts. The same reasoning is spurring report cards for hospitals, doctors and public schools, all places where improving quality is important but difficult.

It's wonderful theory. But does it work? The public likes it, polls suggest. The restaurant lobby doesn't, complaining that it's too crude, measures the wrong things and can unfairly brand a restaurant as unclean even after it remedies a problem.

Now a couple of economists, Ginger Zhe Jin of University of Maryland and Phillip Leslie of Stanford University, are bringing facts to the debate and showing the potential power of simple report cards.

Before 1997, Los Angeles health inspectors scored restaurants on a 0 to 100 scale, but didn't give letter grades; restaurants didn't post results. Comparing health-inspection data for 13,500 of Los Angeles's restaurants with revenues those restaurants reported to state tax authorities, the economists found that health scores hadn't any effect on restaurant revenues back then.

After letter grades were introduced and posted in 1998, revenues at A-graded restaurants rose 5.7%, or nearly $15,000 a year for the typical restaurant. Revenues at B-graded restaurants rose 0.7%, and revenues at C-graded restaurants fell 1%, the economists report in the Quarterly Journal of Economics.

THAT'S NO SURPRISE. Who wouldn't hesitate at the door of a restaurant boasting a red C? But is the public health any better?

Restaurants' scores rose 5% on average after grading cards were introduced. The county says about 83% of the 76,000 inspections it does annually of restaurants and markets now produce an A grade, up from 57% in 1998.

Is that because of grade inflation or cleaner kitchens? Both, the economists say. Like kind-hearted teachers, health inspectors seem to overlook minor infractions to avoid giving restaurants an 89 (which put a B in the window) instead of a 90 (which produces an A).

But restaurants changed, too. A close examination of inspection forms found a drop in violations involving bathrooms, ventilation, lighting and the like, checklist items that tend to be less subjective or less influenced by an occasionally careless kitchen worker.

More importantly, fewer people got sick. Hospital admissions for food-related illnesses fell 13% in Los Angeles County in 1998. Admissions for other illnesses rose 2.9% and elsewhere in California food-related admissions rose 3.2%.
The bottom line: Forcing restaurants to provide better information led both consumers and businesses to change their ways, and public health improved as a result.

Can the same happen elsewhere in the economy? Even Mr. Leslie, who describes himself as "a huge believer in the potential power of information," warns that rating health care and education is trickier than grading restaurant hygiene. Measuring quality is tougher, and the risk greater that report cards will do harm by focusing on easily measured but unimportant factors.

OTHER RESEARCHERS find that report cards on heart-bypass surgery led some surgeons and hospitals in New York and Pennsylvania to shun sicker patients in order to keep their ratings up and that elementary-school teachers in Chicago cheat to get their students' test scores up.

"You have to be careful when you put in an information standard that people don't focus on the standard to the detriment of something else that's more important," Mr. Leslie cautions.

But PacifiCare Health Systems Inc., a California health insurer, began grading doctors five years ago on 29 different items, from the fraction of women who were screened for cervical cancer to scores on patient-satisfaction surveys. It reports that doctors and patients behave just like restaurants and their patrons.

About 5% of its customers shifted to better-performing medical groups after it began showing them the report cards, says Sam Ho, PacifiCare's chief medical officer. And during the past five years, doctors have shown consistent improvement on more than half the measures, which Dr. Ho takes as a sign that report cards helped improve the quality of care.

"Is this perfect? No. Is it complete? No. But is it relevant? Yes. It's a beginning, but it's good enough," he says. The company this spring began giving letter grades to California hospitals based on 50 factors.

Three separate forces are pushing in the same direction: the urgent need to improve the quality of health care and education, advances in methods to measure quality meaningfully and a growing willingness to let competition and other market forces enter spheres previously shielded from them. We could be on the cusp of something big here.

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