The Education Monopoly Problem

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The widespread quest for more choice and competition in education appears symptomatic of the more general movement around the world for what is called deregulation and/or privatisation. This study draws upon experience of educational choice in several OECD countries, especially the US, Canada, Australia and Japan. These nations typically provide free and compulsory schooling at government institutions. One major variation has been the treatment of religious schools. The most extensive support for denominational schools occurs in the Netherlands, where they are fully financed by public funds. A similar situation exists in the Canadian province of Newfoundland. In Britain, religious schools forfeited some of their independence after 1944 in return for government financial support. At the other extreme is the US, where the constitutional First Amendment has so far precluded government funding of religious schools because of the strict separation between church and state.

In the four OECD countries with a federal form of government - the US, Canada Australia and West Germany - education is constitutionally a State responsibility. Interestingly, of the four, only Australia provides extensive federal funding for private schools. The most generous government support for secondary private schools occurs in Japan.

Provision of free education in government schools has been normal not only among the countries mentioned so far but also among most others. Less commonly recognised until recently has been the universal official practice of assigning students to the government school nearest their home. Lott (1987) finds this practice prevailing in all the countries in his survey including the US, Britain, France, New Zealand, Sweden, Canada, Italy, South Korea and the USSR. Geographical assignment of students into strict neighbourhood zones means that schooling is
organised on the basis of what economists call exclusive territories. In other spheres (for instance, in retailing) this practice is typically condemned by trade practices watchdogs as monopoly behaviour. There appears to be no substantial reason why such criticism cannot be applied to government schooling. (Sophisticated current attempts to justify exclusive territories in government schooling are analysed and found wanting in West, 1989.)

Weakening the monopoly aspects of education naturally implies more freedom for parents to choose their children’s schools. Attempts to do this around the globe can be classified under two headings: market competition schemes and administered or pseudo-market schemes. Market schemes apply the rewards and punishments of full competition; for instance, unsuccessful schools are allowed to go bankrupt. Administered schemes, in contrast, often give the appearance, but lack the full vigour, of true competition.

**Tax Deductions**

Market schemes include various kinds of tuition tax deductions, tax credits, vouchers and private school subsidies.

Tax deductions have been used as a policy option primarily in the US and Australia. In the US several fiscal programs for education first began to appear during the 1950s. These were initially bills to provide tax deductions rather than tax credits (a distinction to be explained below). The best-known successful tax deduction scheme is that of the State of Minnesota, whose program in 1983 conspicuously survived a Supreme Court challenge based on First Amendment grounds. In Australia, meanwhile, the Commonwealth has provided assistance to individuals in the form of tax deductions from the federal income tax of school tuition fees and gifts for school building purposes. Tax deductions for school fees were increased between 1952 and 1974 but have been cut back since then.

Apart from the legal problems connected with tax deduction programs, experience has shown that they usually meet considerable political opposition. This
is because they visibly favour the rich by providing benefits that vary positively with income. With a graduated tax system, a given deduction gives greater tax relief to a high-income taxpayer than to a low-income taxpayer: a $100 deduction, for example, saves $50 tax for the taxpayer whose marginal rate reaches 50 per cent but only $20 for the taxpayer on a marginal rate of 20 per cent. Those who pay no income tax obtain no benefit at all.

**Tax Credits**

It was mainly these inequitable aspects of tax deductions that prompted the US education reform movement in the 1960s to promote tax credits. These give an income-constant benefit because a credit worth a given amount is subtracted directly from the taxpayer’s tax bill, not from his income. High, and low-income taxpayers get an equal benefit as long as both have a pre-credit liability equal to, or in excess of, the available credit. The crudest tax credit system, however, still fails to get assistance to low-income families who have little or no tax liability for the credit to offset.

In 1971, however, an interesting modification appeared when a newly-proposed tax credit was described as ‘refundable’. This means that a family receives a cash refund to the extent that it owes no income taxes to which the credit could be applied. The best known plan of this type was advocated by Senators Packwood and Moynihan in 1982. This limited credit to 50 per cent of the private school’s tuition charge and had a $500 maximum. It aimed to cover all private educational establishments including parochial schools. In the same year President Reagan announced a similar plan, with the credit available to families with incomes up to $50,000, and a partial credit available for families with incomes up to $75,000. The Reagan credit, however, was not refundable.

Among the US State proposals in the 1980s, that of Washington DC in 1981 was the most interesting. This offered a $1,200 maximum credit for each student to be used against DC income taxes. The unique feature of the bill was that the credit could be taken by any taxpayer. This means that a grandparent, for instance, could sponsor
a student and have his or her tax reduced by the amount of educational expenses incurred up to a maximum of $1,200. Corporations could also support the education of as many students as they wished subject again to the $1,200 ceiling for each student. But corporations could consume only up to 50 per cent of their DC corporate tax liability with such credits.

The authors of the DC proposal attempted their own solutions to the problem of getting financial assistance to parents who paid little or no income tax. Such families would be afforded assistance by third parties: relatives, for instance, would be able to earn tax credits for aiding a nephew, niece, grandson, and so on, who required such assistance. Other taxpayers who had no children, together with corporations, would be able to donate their credits to an organised charity such as the United Way. The organisation could then distribute the money among the requisite number of students, either directly or indirectly. A taxpayer could also give to a school, which would distribute the money in the form of scholarships either directly or indirectly to the students. At first sight it may appear that under such a plan a single firm would attempt to profit by giving tax credits to its employees in lieu of a part of their wages. Other firms, however, could eventually match this kind of provision. Under the competition, workers would eventually enjoy the full value of the tax credit as a fringe benefit and without serious injury to their nominal pay.

Despite intense lobbying, none of these tax credit schemes has so far been successful politically. The federal tax credit proposal was opposed on the grounds that, at a time of large budget deficits, it would be too expensive. However, the argument was misinformed. It assumed that the tuition tax credit benefits would accrue only to those students who were in private schools. No account was taken of the fact that some students would migrate from the public to the private sector. Yet when this calculation is made, the picture changes dramatically. For instance, if a student, aided by the Reagan tax credit in 1983, had left public school for private school, he or she would have cost $300 in tax credits but would have saved the combined government authorities the prevailing cost of education per student in the public sector. This cost was approximately $3000. The authorities, therefore, stood to
gain up to $2,700 per migrant from public to private school. It is true that if only one student had left a public school the costs would not have dropped by the full $3000. Studies suggest, however, that several thousand students would have migrated, causing some public schools to close. In this case the full $3,000 per student would have been saved. I have estimated that migration beyond 1 per cent of the 1983 public school population would have caused net savings to taxpayers. Moreover, a reasonable prediction would have been a migration of well above 1 per cent (West, 1985:64; West & Martinello, 1988:432).

**Four Types of Education Voucher**

A better-known mechanism for stimulating choice and competition in education is the voucher system. This rests on the principle that a family should be free to use its tax money allotted to the education of its child in either a public or a private school of its choice. Although the idea can be traced at least as far back as Tom Paine’s famous *The Rights of Man* published in 1791, its 20th-century revival began in earnest with a chapter outlining detailed proposals for vouchers in Milton Friedman’s *Capitalism and Freedom* (1962). The idea is that the parent of a school-age child would receive a voucher of the same value as the present average cost of educating that child in the public system. The voucher could then be spent at any accredited school and the education industry would compete for the consumers’ demand for educational services. In Friedman’s version, the voucher could be spent at accredited private schools as well as schools in the public system. Both types of school would charge tuition fees. Meanwhile parents who so desired could supplement the vouchers with their own add-on contributions.

A second type of voucher is generally attributed to the work of Christopher Jencks and his colleagues at the Center for the Study of Public Policy (1970). This differs from Friedman’s version in that it could not be supplemented with add-ons. Moreover, low-income groups and students with special needs would receive vouchers of a greater value than the basic one.
Two other voucher systems have been proposed that are amalgams of the Friedman and Jencks varieties. The third type would provide a voucher whose value depends both on parental income and on educational need, and could be supplemented by parents if they so wished. The fourth type is the same as Friedman’s except that no add-ons would be allowed.

It can be argued that it is not absolutely necessary to supply vouchers as high as the value of the present average cost of a public education, as Friedman prescribes. Several studies in the economics literature have found that public supply of a variety of goods and services is costlier than a private supply. Such findings have been made, for instance, with respect to street maintenance, fire protection, the processing of medical claims, bus transport, and refuse collection. The latest and most authoritative work in this area is by Boardman & Vining (1989). Work by Sonstelie (1982) and West (1981) has demonstrated significant cost differentials with respect to public and private schooling in the US. If therefore a public education costs $3,000 on average and a private education only $2,000, the value of the voucher need be no more than $2,000.

There is also much to be said for starting with a still lower figure. Thus, an experimental voucher worth, say, $500 or $750 could be offered, on the assumption that parents would typically make up the difference in the cost of their chosen private education. This proposal today would generate roughly the same order of cost savings as would have been associated with the US tax credits worth $300 proposed in 1983. Thus, while a voucher of $500 would benefit the existing private school population, expected migration from the public to the private system would more than offset this initial cost since the savings per student would, on my calculation, be more than sufficient.

It maybe objected that many of the poor could not afford to transfer at the fees implied in this last illustration. Yet, at the very least, the poorest people - those who are usually trapped in big-city ghetto schools - would benefit most from the voucher plan because they would be given the means of escape. Milton and Rose Friedman raise this issue in the following terms: Are the supermarkets available to different
economic groups anything like so divergent in quality as the [schools? Vouchers would improve the quality of the [public] schooling available to the rich hardly at all; to the middle class, moderately; to the lower-income class, enormously” (1980:169). Again, insofar as such vouchers would stimulate competition there would be immediate pressure placed upon the failing schools to improve their services. This pressure would benefit those remaining low-income families who could not afford the add-ons to effect a transfer to a private school.

A recent official survey confirms the Friedmans view that proposed public assistance to US private schools in the form of a tax credit of even smaller value than our $500 voucher is more attractive to the poor than to other groups. The US Education Department (1984: ii) concluded:

> The inclination to take advantage of a tax credit was greatest among two groups of public school parents — non white and lower status parents who are currently unrepresented in private schools and those with prior interest in and knowledge about private schools.

**Subsidies to Private Schools**

Like tax credits, education vouchers have so far been the subject of discussion rather than action around the world. The widespread practice of subsidising private schools, however, usually amounts to the adoption of voucher systems in effect. Suppose the subsidy to private schools is a specific, as distinct from an ad valorem, grant so that the same earmarked subsidy is allocated to every enrolled student. Notice first that the formal voucher and school subsidisation both require initial government screening of qualifying schools. Second just as in the case of the formal voucher, under the subsidy program the parent triggers an incremental portion of the school grant by his/her decision to choose an independent school in preference both to other independent schools and to government schools. Government funds follow the child just as they do with the voucher. Moreover, the parent can often, in effect, make add-ons by paying any extras required by the chosen school.
This affinity between vouchers and ‘public funding of private schools’ means that they can be designed to have similar economic results. Consider an educational voucher worth $2,000. This would allow a family to purchase up to $2,000 worth of education at the (inspected) private school of its choice. Compare this with a general system of public funding of private schools. Suppose the finding is on the basis of $2,000 per student. A family decision to choose a particular school would trigger a mechanism directing $2,000 to the chosen school in the same way as a voucher of that value. In each case the school’s income is a positive and constant function of its enrolment.

Similarly, a tax credit could be designed to have the same result provided that it were ‘refundable’ to non-taxpayers as envisaged by the 1983 Packwood/Moynihan proposal in the US. Alternatively, the credit could relate to all taxes paid, including indirect taxes.

Since Australia, Britain and Canada provide limited subsidies to private schools, they possess the beginnings of a full market competition system. But if existing government schools are to be included, the subsidies should go directly to each individual school according to enrolment. Those schools that do not survive financially should be left to go bankrupt and their teachers to seek other jobs.

It should be noted that New Zealand has had experience of a voucher system. Before 1877, state aid took the form of subsidies to independent schools, most of which were denominational.

In Britain, the former Education Minister, Sir Keith Joseph, announced in 1982 that he would consider a voucher system only if it were possible to formulate a scheme which could deliver more benefits than were obtainable under the 1980 Act. He did not seem to realise that the Act itself contained, in effect, a limited voucher system, and one that could well be expanded. The legislation provides for what is called the Assisted Places Scheme ‘to improve the access to good independent schools according to the number of selected poor children that they enrol’.
The present British voucher scheme can be criticised on equity grounds. The low-income children that currently benefit from the Assisted Places Scheme have to have exceptional achievement potential. But such children can expect an above-average lifetime income even in the absence of special financial help. Redistribution towards such fortunate individuals is away from others with lower expected lifetime incomes, since the latter are compelled to contribute taxes that finance the Assisted Places Scheme. Its extension to a much larger number of low-income children, allowing them to enter independent schools suited to their ability, would, of course, promote much more competition as well as equity.

Similar judgements can be made about the highly selective private school subsidies in the Canadian provinces of Alberta, Saskatchewan and Quebec. The subsidy scheme in British Columbia, on the other hand, is open to a wider class of student. It suffers, however from the fact that a private school may receive only 30 per cent of public school costs, and even then only on the condition that it has been in operation for at least three years and is willing to submit to strict curriculum, teacher certification and evaluation regulations. It is when voucher subsidy schemes confront an accumulation of such official controls that they tend to degenerate into administered or pseudo-market schemes.

**Magnet Schools**

The major examples of pseudo-market schemes are magnet schools and various types of open enrolment arrangements. Those who seek genuine competition, choice and equity in education are likely to find that these alternatives to tax credits, vouchers and private school subsidies turn out to be blind alleys.

Originating in the US, magnet schools are located entirely within the public system and usually provide a core curriculum of mathematics, English history science and languages plus a specialised set of courses around a specialised theme (e.g. dramatic art, music, aeronautical engineering). In New York City, schools such as Stuyvesant High School, Bronx High School of Science, and Brooklyn Technical High School prepare students for the college professions while De Witt Clinton High
School prepares them for professions in medical arts and health services. Additional examples are Sarah J. Hale High School of Cosmetology, Aviation High School, Automotive High School, and the La Guardia High School for Music and the Arts. The magnets’ are allowed to pursue many of their own policies including the hiring of staff members who are expert in a given speciality. In practice, local education agencies compete openly and aggressively for the best student talent from a wide catchment area to fill their magnet schools.

This last feature, however, points to one of the problems with magnet schools: what happens if you don’t get into one? Many of those who do not get selected drop out of the system altogether. A second criticism is that several school systems have attempted to use magnet schools as one way of getting around integration policies. A third problem is that religiously-sponsored schools are excluded from the magnet system by the constitutional separation between church and state.

Open Enrolment Plans

Following the political failure in the US of federal tax credit and voucher plans, the retiring President Reagan and his successor President Bush announced in January 1989 their enthusiastic support for an alternative reform that seemed to them to be more promising politically. This alternative is known as ‘the open enrolment plan’.

This plan is ostensibly intended to remove the exclusive territory principle explained above. It is now being attempted in Britain, Canada and the US. In Toronto the authorities have for some time claimed that there is open choice between government high schools. In practice, however, the most popular schools are soon declared full on the basis of obscure administrative criteria. In Britain, the Thatcher Government has recently imposed strong safeguards against bureaucratically imposed quotas in schools. Schools enrolling fewer than a certain number must close down.
In the US, the State that has promoted the open enrolment concept most vigorously is Minnesota, where it is generating much interest and excitement. Minnesota has announced that up to $4,000 in State aid will follow each child who transfers from one public school to another. The authorities claim that the plan will force school districts to improve their performance or to close down for lack of funds. The Governor of Minnesota, Rudy Perpich, describes the system as an example of market forces at work’ (Newsweek, 19 September 1988, p. 77). Apparently it is this version of open enrolment that has caught the attention of Presidents Reagan and Bush.

Open Enrolment as a Market System

The analogy between the latest Minnesota plan and market forces, however, contains six important inaccuracies that the Presidents’ advisers seem to have overlooked. First, real markets work with the use of full or near-hill pricing. But no explicit prices are to be introduced in the Minnesota plan since public schools must presumably remain free’. Second, although it is announced that funds up to $4,000 will move with each child, on average it is likely to be very much less. The public finance of schools is usually based on a foundation plan under which each district must make a minimum tax effort to qualify for State aid. A district that locally raises and spends more than the selected foundation level will receive no subsidy. Several others that spend varying amounts less than the foundation level will be awarded subsidies based on the difference. In practice, therefore, the amount of funds that will move with each student in the Minnesota plan will vary and will typically be much less than $4,000. A likely average figure would probably be around $1,000. Since the average expenditure per student in public schools is around $3,500, this presents another contrast with a full market system, under which funds nearer the hill cost of education would move with each child as it changed schools.

The third problem arises from the assertion that Minnesota school districts that fail under the new system will be forced to close. The proposition invites scepticism because there is little evidence that public schools have been allowed to go bankrupt in the recent past. Observers frequently cite the enforced closure of three schools in
New York’s East Harlem (Newsweek 19 September 1988, p. 68). The same observers concede however, that failed schools soon reopen after some ‘reorganisation’. Under a market system, in contrast, since there are no cushions to fall back on, closure of the school under its original owners is usually final. New owners may of course restructure the institution, but the change of management is real and obvious. But the ‘reorganisation’ of failed public schools is under the auspices of the same owner: the government.

Whether any closing down of failed schools occurs in Minnesota will, in any case, depend upon the outcome of a suit being brought against the State by the Minnesota Federation of Teachers who fear job instability and fluctuating school budgets (The Wall Street Journal, 13 May 1988). The Minnesota School Boards’ Association also opposes the plan for free choice and appears to be influenced by small rural districts that may lose many children to larger districts with more resources.

A fourth problem with characterising Minnesota’s new open enrolment plan as a market system is that, although the law envisages free choice of school districts across the State, school boards are nevertheless free to elect not to accept students. It is this kind of discretion that the Thatcher Government has forbidden in Britain. And very little such discretion, of course, occurs in free markets. The idea of school choice across the State of Minnesota should, in any case, be kept in perspective. It is not likely that families would want to have their children commuting every day over distances of ten miles or more. The relevant scope for parental choice is usually limited to a sprinkling of schools within reasonable geographical reach. Notice too that a free market would respond to locational problems by generating service provision in areas of heaviest consumer demand, thereby minimising relocation costs for the consumer.

A fifth problem is that open enrolment provides no clear incentives for teachers and administrators of particular schools. Incentives would be clear and obvious, for instance, if it were openly decreed that salaries of school principals as well as of teachers were to be somehow related by a particular proportion of the enrolment they attract. Nothing is said on this score, But if the sponsors of the plan are really
looking for market-like competition within the public schools some such specification must be made. Such an incentive provision is included in the British Education Act of 1988.

When asked to take on scores of out-of-district students without such incentives, several ways are open to a school board in Minnesota to refuse. For instance, according to Subdivision I of Article VII of its education bill, a board may simply announce a blanket resolution that non resident pupils may not attend any of the schools or programs. Alternatively, a board may be tempted to accept only pupils who bring with them higher than average funds. It can then refuse others by carefully adopting a specific pattern of standards for acceptance and rejection (and the legislation requires the school board to arrive at its own standards). These may include the capacity of the program, class, grade level, or school building. One can foresee a situation where the school board, having accepted the most lucrative students, would then proceed to refuse the less profitable ones on the grounds that its particular programs or schools have ‘reached their capacity’.

A full market system, in contrast, would oblige suppliers to use all possible improvisations and expedients to carry any increased load in the short term and to make all possible effort to expand in the long term. Suppose customers were transferring from a relatively inefficient retail store and were beginning to crowd the premises of a rival store. It would be an odd notion of efficiency that required the process to stop because it was encouraging crowding? Any retreat to ‘catchment areas’ to prevent the crowding would remove the very pressure that working to improve matters. Under such pressure the favoured store would meet the crowding with temporary measures pending plans for expansion, while the unpopular store would be under constant pressure to try to match the superior services of its rival. Staff who were frustrated by their treatment by unimaginative managers in the failing store would be attracted by vacancies occurring in the successful crowded store.

Many teachers in public schools become disenchanted, not just with inefficient managers, but also with inflexible union rules. Consider the failure of many US State
legislatures to enact performance-related merit pay incentive programs because of the opposition of teacher unions. Such outcomes bring the most frustration to the best teachers. School privatisation, in contrast, would automatically make salaries more flexible. Indeed, once a full education voucher was established, we could expect more teachers to begin managing and even renting or purchasing their own schools if they were still dissatisfied with their salaries and working conditions. Clearly, the Minnesota plan could not be expected to involve anything like this degree of change in the educational system.

Despite these observations Charles L. Glenn, an official with the Massachusetts Department of Education, insists that true competition is a major facet of Minnesota-like school reform (The Wall Street Journal 13 May 1988). Elementary economics tells us that the most crucial condition of competition is freedom of entry into a market. And this brings us to the sixth and probably most important, problem with assimilating open enrolment to a market system. Since neither the Minnesota plan nor any other public school open enrolment plan provides for free entry of new private and denominational schools, the conditions of full competition are clearly absent. So the popular description of open enrolment as ‘public schools for choice’ is a misnomer, since choice that is constrained by the exclusion of private schools is no real choice at all.

Free entry is essential if we are to benefit from competition as described by classical economists such as Adam Smith. They envisaged competition as a dynamic process that promptly rewards those who introduce superior methods. Suppose that new lower-cost methods are available but have not yet been widely adopted. In a profit-driven free market system business entrepreneurs will seize the corresponding opportunities for entry. In the non-profit world of public schools in contrast, there are no such entrepreneurs, only administrators and decision-makers. The strongest incentives for prompt adoption of new ideas are therefore absent.
Preserving the Public State School System

Possibly, the use of the term competition by education departments to justify their open enrolment plans will encourage others to push the idea to its logical conclusion, as I have tried to do. But such discussion would probably make the average State much more cautious.

Education bureaucracies typically do not relish the thought of true competition since that would transfer power away from them and towards their customers. Indeed competition would render many state bureaucrats superfluous.

In view of this, the rhetoric of the typical educational establishment is based on the unspoken assumption that the test of any educational reform is that it will not injure the public school system. Consider this argument in the context of another government service, the post office. Suppose that contracting-out the post office’s highest cost services to the private sector is known to be efficient. The present administrators would probably reject the proposal (as they have in fact done in the past) on the grounds that it would injure ‘the post office system’. But if competition is to mean anything, any ‘injury’ to the post office system would be justified, since inefficient components of it would have been replaced by more efficient alternatives. To the citizen-taxpayer the end is the provision of the best service for every dollar spent, not the maintenance in perpetuity of one particular means to that end. Similarly, to make the everlasting preservation of ‘the public school system’ the main end of education is to confuse ends with means.

There is another reason why the constraint against ‘injuring the public school system’ does not apply in the case of Minnesota. Its open enrolment plan gives 11th and 12th graders the option of transferring, at the State’s expense, out of the public school (K-12) system and into post-secondary institutions. Insofar as this takes place (and 4000 students are taking up this option in 1989) the public school student population falls. This means that the ‘forbidden’ injury to the public school system is already predictable. Some of the post-secondary institutions being selected, moreover, are private and denominational establishments.
Obstacles to Competition in Education

Advocates of open enrolment have revealed another purpose of the plan: to fend off most effectively demands for a full-blown voucher system, ‘a system that will transfer money into private schools’ (Newsweek September 19, 1988, p. 81). Statements such as this suggest that open-enrolment advocates are only half-hearted at most in their desire for competition. A full-blown voucher system, after all, implies full-blown competition! Since a voucher system is effectively a system of payments made by the government to public and private schools chosen by parents, public schools would be forced at last into meaning full competition with private schools. Government administrators would obviously not welcome such an invasion of their territory. Moreover, it is hardly a criticism of the full voucher system that it would transfer public money into private schools, any more than it would be a criticism of competition with the post office that it would transfer customers’ money away from inefficient parts of the post office towards efficient private alternatives.

The public school establishment often raises a further objection to full vouchers. This is that they would lead to ethnic and social segregation. But this objection ignores the fact that typical voucher proposals preclude their participating schools (public and private) from practising discrimination. In any case, the US public school system probably generates more discrimination than do the private schools. As Thomas Sowell (1984:26) puts it, ‘In most of the nation’s largest urban public school systems, there are not enough whites left to integrate, so any further integration in such places may be achievable only by the voluntary movement of black children into private schools’.

In 1988 States other than Minnesota produced evidence both of increasing pressure for competition in education and of the simultaneous capacity of official educational establishments to resist such pressure. In March of that year the Colorado legislature rejected a measure that would have allowed parents to send their children to any public school in the State. Iowa disapproved a proposal to allow public school students to enrol in neighbouring districts if their home districts lacked programs or courses that students wanted to take; both sending and receiving
districts would have had to approve such transfers. Mississippi rejected a proposal to
give parents of kindergarten children vouchers usable at any public or private school
with a kindergarten program. In Utah as well legislative committees rejected two
parental-choice proposals: one to provide parents with tax credits for private and
public school expenses, the other to allow parents to send their children to public
schools in any district State-wide. Finally, in Wisconsin a bill was defeated that
would have provided disadvantaged families in Milwaukee with vouchers
redeemable for education in public and private schools (Education Week, 18
May 1988).

The Way Forward In Minnesota

This study suggest that Minnesota may, after all, be the exception that proves the
rule. And today’s exception may produce unexpected demonstration effects
tomorrow in the form of experience that can be cited across the land. Despite all the
limitations mentioned, the enhanced scope for changing schools in Minnesota, in
some areas at least, may bring some degree of competition.

A key variable in the possible progress from quasi-competition to full market
competition is the magnitude and management of the Minnesota State funds that
will follow children from one school district to another. This could be managed by
the receiving school announcing a price for out-of-district students reflecting the
expected average transfer funds. It would also be useful to channel these funds
through the parents. In this way the public would see more clearly that the
Minnesota open enrolment plan already amounts to a voucher system, though one
that applies exclusively to public schools

The Japanese Success Story

It is of supreme interest and importance that Japan, which has gone the furthest in
subsidising private secondary schools seems to be surpassing all other countries in
terms of student achievement. The examination lead of Japanese over American
students grows at an astonishing rate between the ages of 15 and 18. In Japan, school
attendance for this age group is not compulsory. Yet some 94 per cent continue their education voluntarily. Japanese high schools are private and charge fees amounting on average to $2,400 or 60 per cent of cost, the remainder being covered by central government subsidies paid on a per capita enrolment basis. A subsidy of around 50 per cent of private school costs persuades between 40 and 50 per cent of urban parents to choose private schools (The Economist 24 December 1988, p. 12). Loans are available from a government-supported scholarship foundation to help families meet the fees at both public and private schools.

It is because these Japanese schools offer education at a positive price that large elements of competition have appeared in the system. The family’s freedom of choice is meanwhile enhanced by the fact that, as well as being able to choose a private school if it dislikes the state offering, it has the legal right to quit formal education altogether when the child reaches 15 years of age (Lynn, 1986:49-51)

Japan’s superiority in teenage educational achievement is no doubt attributable to several cultural factors besides the educational competition induced by its indirect voucher system. But the superiority is truly impressive. According to The Economist (24 December 1988, p. 12) only a fraction of the top 1 per cent of 18-year-old Americans now does better in maths than the average Japanese of the same age! And whereas in the British city of Liverpool 84 per cent of 16-year-olds leave school at the earliest opportunity, 94 per cent of Japanese 16-year-olds stay on voluntarily and pay fees.

Conclusions

It has been argued that the administered or pseudo market schemes like open enrolment that have received so much attention especially in the US and Canada are ultimately an uncertain avenue for true competition, choice and equity in education. The voucher and private school subsidy systems are far superior in this respect. So far, Japan alone seems to have recognised this while other countries remain saddled with what they believe to be their ‘one best system’.
References


