Tom Paine's Voucher Scheme for Public Education

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By

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The classical economists, as is commonly known, were in favour of appreciable government intervention in English education. Their arguments were based on the conviction that large numbers of families, if unaided, would seriously under invest in education. This conviction was based on two simple observations: first, that many parents were too poor to buy education; second, that many others did not sufficiently value it. Such reasoning led some of these writers to advocate compulsory laws. It is especially interesting to notice also that it led them to propose government subsidies to the schools rather than directly to the scholars (or their parents). The purpose of this note is to draw attention to, and to analyse, the proposals of a contemporary of the classical economists who also wanted more education but who advocated quite a different means. Believing that the majority of poor people were much more aware of the benefits of education than was commonly supposed, and contending that it was heavy taxation of the masses that was the chief cause of their poverty, this writer made particularly interesting and original fiscal suggestions to promote education which seem to have hitherto been neglected by historians of economic thought.

The widespread incidence of poverty at the end of the eighteenth and the first half of the nineteenth century was a powerful factor which influenced nearly all the classical economists in their advocacy of state aided education. But it is at first sight surprising that in the context of education they did not so readily associate parental poverty with the

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prevailing heavy burden of taxation. It is often forgotten that the bulk of the central revenue in those days came from indirect taxes, most of which were strongly regressive. Taxes on food and tobacco for instance typically accounted for about 60% of all central revenue in the first half of the nineteenth century. In addition, the independent poor were obliged to pay increasingly burdensome poor rate levies, particularly after 1800. Lack of clarity or sophistication concerning the true incidence of taxation, together with a certain moral asceticism in favour of taxing some "unnecessaries," provide two explanations of the attitude of several of the early economists. Adam Smith's view was that taxes on the necessities of the poor were all passed on to the employers in the form of higher wages. J. R McCulloch objected to income tax, proposals for which were being increasingly pressed after 1820, on the grounds of the difficulty of making individual assessments. He was even more critical of the principle of graduation because he thought it would have uncontrollable redistributational consequences.

In practice, contemporary governments had become habitually accustomed to enormous revenues from taxes and necessaries and looked upon them "as of right."

Once the revenues from the indirect taxes had been collected, it was certainly difficult to claim that the poor deserved to be refunded. For, as many economists emphasized, there were certain benefits which the government supplied, such as defence, which were indivisible and enjoyed by all and so were regarded as-deserving of a contribution from all, Propositions for a new universal government service in aid of the poor to be provided ex ante from new levies specifically for that purpose would have been open to clearer debate. If, for instance, the new levies could have been shown to be expected to fall mainly on the poor themselves then the policy would have been more clearly seen as one of paternalism rather than one of redistribution. The appropriateness of such a policy could then have been discussed more directly in the light of evidence on the responsibility of the average poor in spending their own money.

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However, as so often when decisions were proposed or actually made through the political process, demand choices became arbitrarily separated from supply choices. Thus in educational policy, as in many other fields, the tendency was for schemes to be pushed in advance of the determination of the requisite finance. In the nineteenth century, when incomes were rising, governments were typically enabled to find the finance for particular measures after the event of legislation. Their path was made easier by virtue of what Gladstone called the "buoyancy of the revenue." Because of this constant syphoning process upon gradually rising incomes, poor families were prevented from having as much disposable income as they would otherwise have enjoyed. It is not at all clear that, had taxation been restrained and disposable incomes increased, average families would not have used the difference to buy much more education directly. An educational threshold had directly been reached by very large numbers of ordinary people. James Mill, for instance, observed in 1813:

> From observation and inquiry assiduously directed to that object, we can ourselves speak decidedly as to the rapid progress which the love of education in making among the lower orders in England. Even around London, in a circle of fifty miles radius, which is far from the most instructed and virtuous part of the kingdom, there is hardly a village that has not something of a school; and not many children of either sex who are not taught more or less, reading and writing. We have met with families in which, for weeks together, not an article of sustenance but potatoes had been used; yet for every child the hard-earned sum was provided to send them to school.\(^3\)

Considering the number of adherents to the "ability to pay principle," in public finance, adherents such as J. S. Mill and his followers, it is surprising that the movement for more equity in nineteenth century taxation was not more vociferous than it was.\(^4\) It has often

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\(^4\) J.S. Mill recognised the principle thus "The principle, therefore, of equality of taxation, interpreted in its only just sense, equality of sacrifice, requires that a person who has no means of providing for old age, or for those in whom he is interested, except by saving from income, should have the tax remitted on all that
been observed, however, that in the early nineteenth century there were formidable administrative obstacles hindering such reform. The common view is that the principle of equity is affected much more easily and accurately through a system of income tax allowances. Furthermore, and especially in view of the argument that, in education, there is a strong case for financial contributions from non-parents, some modern writers would point to the necessity of a negative income tax over some range of income. Income tax, however, had hardly begun in the nineteenth century. Nevertheless, there was one contemporary writer who did attempt to show the feasibility of such sophistication and discrimination even within the framework of an indirect tax system. His work as an economist has suffered neglect due partly no doubt to the extent with which his political views embarrassed other economists and indeed the country at large. He was none other than Tom Paine.

At the end of his notorious work, *The Rights of Man*, Paine made a review of the current taxation situation. He first examined the contention that there was an inexorable law that taxes increased with the passage of time. This he condemned as fatalistic. Quoting Sir John Sinclair's *History of the Revenue*, he showed that the English people had succeeded in getting their taxes continually reduced for the four hundred years starting from 1066. At the expiration of this time they were reduced by three fourths, viz., from £400,000 to £100,000 in 1466. Since that time, however, the taxes had risen so much that Paine thought the national character of the English had weakened. For in 1791 taxation amounted to £17,000,000. The main increases, said Paine, were associated with war years which gave rise to an enlargement of the national debt.
The composition of the taxes in 1788 were as follows:

<table>
<thead>
<tr>
<th>Tax</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land tax</td>
<td>1,950,000</td>
</tr>
<tr>
<td>Customs</td>
<td>3,789,274</td>
</tr>
<tr>
<td>Excise (including old and new malt)</td>
<td>6,751,727</td>
</tr>
<tr>
<td>Stamps</td>
<td>1,278,214</td>
</tr>
<tr>
<td>Miscellaneous taxes and incidents</td>
<td>1,803,755</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15,572,970</strong></td>
</tr>
</tbody>
</table>

Between 1788 and 1791, therefore, taxes had risen by one and a half million pounds. The land tax, paid by the Aristocrats, was the only one which was falling having dropped by half a million pounds over the previous century.6

Nine millions of the total revenue were applied to servicing the national debt, the remaining eight millions went on current expenses. It was the latter which Paine thought to be extravagant.7 Independently of all this, the cost of administering poor relief, which amounted to two millions, was largely escaped by the rich.

Paine gave several reasons why the ordinary current expenses of eight millions could be reduced to one and a half millions. But the question then arose of how to dispose of the surplus of over six millions. Reducing the excise would be a step in the right direction but there was need for a nicer discrimination within the group that paid it. He looked next to the reduction of other taxes: “where the relief will be direct and visible, and capable of immediate operation.”8 The poor rates, he said, were a direct tax, "which

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7 The Aristocrats also avoided the beer tax because home-brewed ale did not pay duty, and they alone brewed it in large enough quantities to make it economic. The proceeds of the beer tax exceeded that of the land tax.
8 With regard to the interest on the national debt, he thought it was heavy: "yet as it serves to keep alive a capital useful to commerce, it balances by its effects a considerable part of its own weight...."
every housekeeper feels and who knows also, to a farthing, the sum he pays. Furthermore the poor rate, together with other taxation, was the main cause of the poverty itself. Money taken in taxation from average families was much more than enough to finance a basic education of their children. A labouring man with a wife and two or three children paid between seven and eight pounds a year in taxes. "He is not sensible of this, because it is disguised to him in the articles which he buys, and he thinks only of their dearness; but as the taxes take from him, at least, a fourth of his yearly earnings, he is consequently disabled from providing for a family, especially if himself or any of them are afflicted with sickness" (italics supplied).

Paine, the son of a weaver, had a great respect for the good sense of average parents and of all institutions that of the family was in his mind the most noble. His own experience led him to value the moral instruction by his own father. He objected to the impartial effects of the taxes: "Speaking for myself, my parents ware not able to give me a shilling beyond what they gave me in education; and to do this they distressed themselves." Paine argued that small householders were more injured by the taxes than others just because they consumed more of the taxable articles, in proportion to their property, than those of large estates and secondly, their residences were chiefly in towns where the poor rates were more severe.

It was easily seen, said Paine, that the bulk of the really poor, consisted of two groups: first, large families of children, secondly, old people. Equity demanded therefore that the surplus should be distributed to these two classes. He proposed in lieu of the poor rates: "to make a remission of taxes to the poor of double the amount of the present poor rates, viz., four millions annually, out of the surplus taxes. By this measure the poor will be benefited two millions, and the housekeeper two millions." Moreover, and this is

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10 Ibid. The "poor rates" were taxes assessed on property for local support of the poor and indigent.
11 Ibid., p.246
12 In retrospect he preferred the instruction of his father to that of his schoolmaster who had filled him with "false heroism."
13 Ibid., p. 234. His father was a Quaker.
14 By "housekeeper" Paine means "householder."
where Paine was even more in advance of his time, the distribution of the surplus four millions was to be according to the size and age of the family. Thus he would pay as a remission of taxes: “... to every poor family, out of the surplus taxes, and in room of poor rates four pounds a year for every child under fourteen years of age; enjoining the parents of such children to send them to school, to learn reading, writing, and common arithmetic; the ministers of every parish, of every denomination to certify jointly to an office, for that purpose, that this duty is performed”\(^\text{15}\) (italics supplied).

By simple statistical estimate, Paine calculated that this education grant would cost approximately two and a half million pounds. This whole operation would, he thought, relieve the poverty of the parents: "because it is from the expense of bringing up children that their poverty arises.\(^\text{16}\) It would also abolish ignorance and help to set young people on their feet.

Paine was also concerned with the difficulty of inaccessible schooling in sparsely populated areas. To meet this problem, he proposed a special allowance for each child living in these areas. The allowance would amount to ten shillings a year: “...for the expense of schooling for six months each, which would give them six months’ schooling each year, and half-a-crown a year for paper and spelling books.\(^\text{17}\) He estimated that this would have cost one quarter million. He was confident that persons could be found in every village capable and willing to teach, such as distressed clergymen’s widows. "Whatever is given on this account to children answers two purposes; to them it is education-to those who, educate them it is a livelihood.\(^\text{18}\) So comprehensively had Paine worked out his scheme, that he had not forgotten to consider that ever-important final test of any fiscal scheme - its administrative feasibility. He claimed that his plan was easy in practice: "It does not embarrass trade by a sudden interruption in the order of taxes, but effects the relief by changing the application of them; and the money

\(^{15}\text{Ibid.}\)
\(^{16}\text{Ibid.}\)
\(^{17}\text{Ibid., p.252}\)
\(^{18}\text{Ibid.}\)
necessary for the purpose can be drawn from the excise collections, which are eight
times a year in every market town in England.  

Thus, Paine offered a series of fiscal innovations to meet the desire for increased popular
education, a desire which the classical economists shared. Paine’s scheme distinguished
itself from the means proposed by the latter mainly in that it directed the finance not at the
school—but at the scholar (via his parent or guardian). It will be remembered that Adam
Smith argued for a wide dispersal of educational expenditure and decision making in order
to prevent the teacher’s rewards from being made independent of his efforts. To this end
Smith always wanted some part of education expenses to be paid in the form of fees; the
public subsidies which he proposed to be confined mainly to the construction and
maintenance of school buildings. But Paine’s proposal, judged by the criterion of
decentralized decision making, went much further than that of Smith. For it ensured the
possibility of the exercise of a still wider choice on behalf of the child. Accordingly, still
greater competition would emerge since a much bigger proportion of educational
expenditure would go through parental hands.  

Again, Paine’s scheme was more consistent with J.S. Mill’s taxation principle of
"ability to pay." It also answered the latter’s fear that many parents could not be trusted;
for parental freedom was joined with the corroborative evidence of a wide selection of
local inspectors. Furthermore the dispersion of decision making was one answer to J.S.
Mill’s fear that central government control of education would lead to government’s
"despotism over the minds" of people. According to Paine, decentralized education
would counter the prevailing desire of the aristocrats to maintain their power by
depending on ignorance. "A Nation under a well-regulated Government should permit

19 Ibid., p.256
20 Paine upheld the principles of commerce with no less vigor than Adam. Smith. Thus: "In all my
publications, where the matter would admit, I have been an advocate for commerce, because I am a friend
to its effects. It is a pacific system, operating to cordialise mankind, by rendering Nations, as well as
individuals, useful to each other. As to the mere theoretical reformation, I have never preached it up. The
most effectual process is that of improving the condition of man by means of his interest; and it is on this
ground that I take my stand"
21 i.e., in the shape of the ministers of the parish of every denomination.
none to remain uninstructed. It is monarchical and aristocratical Government only that requires ignorance for its support.\footnote{Ibid., p. 252} Finally, Paine’s proposals contained the independent aim of abolishing the pernicious effects of the poor law. This in turn was intended to achieve that reduction of crime which most of the classical economists wanted to remove by education alone. For it was Tom Paine’s belief that the real source of the growth of crime was the demoralizing influence of the system of parish relief.

"By the operation of this plan, the poor laws, those instruments of civil torture, will be superseded, and the wasteful expense of litigation prevented. The hearts of the humane will not be shocked by ragged and hungry children, and persons of seventy or eighty years of age, begging for bread. The dying poor will not be dragged from place to place to breathe their last, as a reprisal of parish upon parish. Widows will have maintenance for their children, and not be carted away, an the death of their husbands, like culprits and criminals; and children will no longer be considered as increasingly the distresses of their parents. The haunts of the wretched will be known, because it will be to their advantage, and the number of petty crimes, the offspring of distress and poverty, will be lessened. The poor, as well as the rich, will then be interested in the support of Government, and the cause and apprehension of riots and tumults will cease."\footnote{Ibid., p. 256}