PUBLIC EDUCATION & IMPERFECT DEMOCRACY

Introduction
Our editor Tibor Machan refers to the paradox wherein a country aspiring to be a fully free society tolerates the continuation of a coercive education system. The system is coercive because (a) it is funded, not by parental payments at the door of the school, but by mandatory taxes that are collected prior to the schooling, (b) students are legally forced to attend, (c) the choice of school is severely constrained. In the editor’s words, “the paradox is that, despite all the negatives, folks have become very accustomed to public schools”. I shall attempt to explain why public school systems invariably meet with the success so far indicated, or, in other words, why radical reform seems currently to have only doubtful prospects. A brief initial focus will be on common historical origins of public government schooling worldwide. This will be followed by a critical examination of the present situation from the standpoint of political economy and some assessment of prevailing economic analysis of the current roles of public and private education.

The Universal Pattern of Evolution
In attempting to determine how, after over 150 years, we still possess a monopoly public school system that provides a “one size fits all” education, we shall start with a mental experiment. Consider an initial scenario in which education, like food, is being adequately demanded and supplied via an efficient private sector. How could ambitious politicians or administrators persuade government to intervene in the sense of obtaining for them a threshold of power? One can hypothesize at least two available methods. First, the potential interveners might produce plausible (even if erroneous) statistics showing areas of numerically deficient school attendance. The second method, involves a call for respect for the “proper” boundaries of education and the exclusion of institutions that do not meet the officially approved definition of schooling. Such action will, of course, necessitate a full-time government department and an appropriate number of career civil servants and inspectors.

1 The phrase “one size fits all” is somewhat of an exaggeration because the “size” of public education in wealthy areas of the public system is usually bigger than elsewhere. But the phrase does give a correct impression in terms of mechanical uniformity of practice.

2 Jeremy Bentham and John Stuart Mill adopted both methods in advancing their strong criticisms of 19th Century British denominational instruction. (West, 1992, p. 598.)
Statistics of Educational Need: The Case of New York

The history of American education clearly demonstrates the two methods of intervention just described. In 1804 an Act was passed providing that the net proceeds of the sale of five hundred thousand acres of the vacant lands owned by New York State be appropriated as a permanent fund (about $50,000 in value) for the support of schools. But how much support was actually needed? The answer lay in facts that had not yet be ascertained. To rectify this situation five Commissioners were authorized in 1811 to report on a system for the establishment and organization of Common Schools. Their report appeared in 1812 accompanied by the draft of a bill that was the basis of the Act passed later in that year. It is interesting to compare the terms of the bill with the rationale of state aid as argued in the report.\(^3\) The Commissioners acknowledged that, for state aid to be completely justified, it was necessary to establish in what respects the people were not already securing sufficient education for their children. They conceded immediately that schooling was indeed already widespread.

In a free government, where political equality is established, and where the road to preferment is open to all, there is a natural stimulus to education; and accordingly we find it generally resorted to, unless some great local impediments interfere.\(^4\)

Poverty was in some cases an impediment; but the biggest obstacle was bad geographic location:

In populous cities, and the parts of the country thickly settled, schools are generally established by individual exertion… It is in the remote and thinly populated parts of the State, where the inhabitants are scattered over a large extent, that education stands greatly in need of encouragement. The people here living far from each other, makes it difficult so to establish schools as to render them convenient or accessible to all. Every family therefore, must either educate its own children, or the children must forego the advantages of education.\(^5\)

The problem was thus presented in the same terms as those later to be used in England by W.E. Forster, the architect of the 1870 English Education Act; it was largely a problem, to use Forster’s words, of “filling up the gaps”. The logic of such argument, of course, called mainly for discriminating and marginal government

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4 Ibid., p. 18, my italics.
5 Ibid., my italics.
intervention. To this end three policies were available. First, the government could assist families, but only the needy ones, by way of educational subsidies. Second, it could subsidize the promoters of schools in the special areas where they were needed. Third, the government itself could set up schools, but only the rural “gap” areas. Without discussing possible alternatives, however, the Commissioners promptly recommended that the inconveniences could generally best be remedied “by the establishment of Common Schools, under the direction and patronage of the State”.

Thus, in place of discrimination in favour of poor and thinly populated districts, a flat equality of treatment was decreed for all areas; the public monies were to be distributed on a per capita basis according to the number of children between five and fifteen in each district, whether its population was dense or sparse. Beyond this, each town, at its own discretion, was to raise by tax, annually, as much money as it received from the school fund. It appears, therefore, that what the Commissioners had succeeded in doing was guaranteeing, not the education of the most needy, but the emergence of an officially approved “nationalized” or “collectivised” education for rich and poor alike and in schools of homogeneous quality. Our editor’s complaint of the “one size fits all” approach to education has thus (in the case of New York) been traced to its origins.

**Required Conformity with American Government Definitions of “Education”**

As previously explained, the second method of intervention was to throw doubt on the quality of non-public education and to urge an official definition of “proper instruction”. On the whole it was this stratagem that most dominated events in America because, in contrast to Britain, New York State in the early 19th century contained fairly clear statistical testimony to the fact that schooling was already widespread. The bureaucracies in this particular state, therefore, avoided the need for the misleading arithmetic being used in Britain that exaggerated the extent of educational negligence. (West, 1992, pp. 603-609.) Other kinds of forces, however, began inexorably to increase the relative strength of the public over the private school system. American public education was soon being called upon, not primarily, as in Britain, to produce a literate and fully employed population, but instead to condition young people to be independent of their families and to pursue the welfare not of individuals, but of the “nation”. In so doing, the declared intention was to abolish all aspects of alleged inequity. Students from different backgrounds would be educated in “common” schools that produced “social cohesion”. And one of the associated functions of the schools, of course, was to “Americanise”, if not homogenize, new immigrants from Europe.
Prominent in inculcating this new philosophy was Horace Mann who, in 1837, became the first secretary of the Massachusetts Board of Education. As Sheldon Richman observes: “For Mann, equalization and social harmony would be advanced by the compulsory mixing of children from rich and poor families” (Richman, 1995, p. 49). Clearly the existence of private schools that did not share such philosophy was an obstacle that, for Mann and his followers, had to be overcome.

A new government “weapon” was accordingly introduced into the struggle. Down to the 1860s parents using the public schools had been obliged to pay “rate bills” that amounted in financial terms to the equivalent of school fees. Under the “Free Schools Act” of 1867, however, the rate bills (fees) were abolished. This legislation had the desired result as far as the expanding public education bureaucracy was concerned. It consisted of the marginal “crowding out” of the private by the public sector. This occurred because when government schools are financed from tax funds and fees are abolished therein, the private sector cannot match the public action. In current terminology there was no longer “a level playing field.”

Elementary economics predicts that artificial reduction of prices to zero leads to an erosion of appropriate incentives. Bearing in mind the growing monopoly status of the public schools, their administrators disliked one particular degree of freedom that had been left to dissatisfied parents. When the perceived quality of their schooling fell below a given level they could often transfer their older children to non-formal schooling such as training on the job. Predictably the public education elites began to condemn such a “safety valve” and to demand laws for compulsory schooling. When governments take such action they are, of course, forced to define education. In practice this coincided with the type of education being supplied in conventional or standardized public schools. Other types were usually firmly ruled out.

This account of the emergence of compulsion again appears to explain in large part what has been the subsequent emergence of the “one size fits all” public education that so offends Tibor Machan and others to-day. The agitation by the teachers’ association (and other interest groups) for compulsory laws, following the victory in 1867 of their Free School Campaign was soon rewarded. The Compulsory Education Act was passed in 1874. And, interestingly enough, after several years of operation it was declared ineffective. The Superintendent of 1890, asking for yet more legislation, complained that the existing laws were still not reaching the hard
core of truant cases, those associated with dissolute families. But even this “hard core” was conceded to consist of a small minority:

It is worse than futile to assume that all persons charged with the care of children will send them to school. The great majority will.\textsuperscript{6}

So whatever the fate of the children of the “hard-case” families, the final link in the process of monopolizing had now been firmly secured with respect to the education of all the other children, those in the vast majority of families, that were admitted to be fully responsible. Compulsory payment and compulsory consumption had become mutually strengthening monopoly bonds and the pattern of schooling for the next century had been firmly set.

**Pockets of Current Resistance**

Sheldon Richman (1995, p. 2) observes: “The public schools, despite their widely recognized problems, [now] have a mystique that prevents people from imagining a life without them”. Questioning them, indeed, has come to be seen by some as audacious, if not irreverent. Yet others believe that the system “has been an insidious assault on the integrity of the family” (Richman, 1995, p. 7). Has public education for the bulk of the population become a “necessary” institution simply because it is one of those institutions to which people have become accustomed? Whatever the case the relevant bureaucracies have used their overwhelming influence to maintain the system and the status quo.

The power of today’s government school bureaucracy can be measured partly by the level of current public education expenditure. With this at over $316 billion, education is now the second largest entitlement program in the United States (and the world), ranking behind Social Security but ahead of Medicare-Medicaid.\textsuperscript{7} With money of this magnitude there is presumably more than enough for the public education system for self-advertisement and P.R. programs together with formidable campaign power to resist all kinds of parental choice proposals. The power plus influence of the public system, meanwhile, extends to teacher training schools and education departments of universities where most authors of histories of education are to be found. If we are to achieve a full understanding of events, however, we must usually put aside the standard histories, which in the words of Mark Blaug “seem to have been largely written to prove that education is only adequately provided when the state [government] accepts its responsibility to furnish compulsory education gratis” (Blaug, 1975, p. 594).

Official Attempts at Rationalizing the System
The favourite approach of public school advocates in attempting to rationalize the current public system is to assert that it is a crucial component of democracy. It is also urged that it is one that gives unique protection to the children of the poor. Such claims, however, are more expressions of faith than rationally argued and empirically demonstrated positions. To achieve the latter, the advocates need to address at least the following six questions:

1. If children’s education needs the special protection of democracy why do we not have similar protection in other areas such as government provision of free food, clothing and shelter of children?

2. If parents are allowed to spend from their income directly on their child’s food, why, in the case of schooling, is part of that income pre-empted by taxation to provide the indirect purchase of “free” schooling?

3. Again, if parents are allowed the opportunity to give their children immediate protection from inferior food supply by promptly transferring their money and custom from the inefficient store to a better one, why are they not allowed parallel powers to protect the education of their children?

4. How can one argue that democratic provision is necessary for promoting equality of opportunity for the poor when, by preventing their families in downtown ghetto schools from escaping from bad schools, it perpetuates, if not aggravates, inequality of opportunity?

5. Why is it that the choice system that exists within the present system of heterogeneous public schools is available almost exclusively for the middle class and the rich. It is summarized by the words, “buy a house, buy a school”.

6. Finally, while democracy is a simple majority voting institution, how can we expect the poor, who constitute a minority, to be particularly well served?

The Unions
Another pertinent feature of democracy is the presence of alliances between governments (or political parties) and interest groups. In public education the foremost example is the teacher union. While the sternest critics go so far as to complain that government schools are increasingly run by the unions and for the unions, it is important first to analyse one of the most critical areas: that of collective bargaining. When looking for consistency in applying the principles of democracy (or rule by consent), one major factor that emerges is that, in practice, “collective bargaining in public education constitutes the negotiation of public policies with a special interest group [the union], in a process from which others are
excluded. This is contrary to the way public policy should be made in a democratic representative system of government”. (Lieberman, 1997, p. 64.) As one conspicuous example The Chicago Tribune has observed that the Chicago Teachers Association now has “as much control over operations of the public schools as the Chicago Board of Education … more control than is available to principals, parents, taxpayers, and voters.” The Tribune claimed that curriculum matters, for instance, such as programs for teaching children to read, were written into the [union] contract. Indeed the board was required to bring any proposed changes to the bargaining table. (Bovard, 1996, p. 498.)

The leading unions, NEA and AFT are strongly opposed to any policy that would introduce competition or would shrink the market for teacher services. “Thus the NEA/AFT oppose vouchers, tuition tax credits, contracting out, home schooling, or lowering the compulsory age limit for education … [and] are as adamantly opposed to trial projects or demonstration projects as they are to large scale programs to allow competition in the education industry.” (Lieberman, 1997, p. 5.) It should be noticed that such opposition to the programs described, coincide with the strategies that any monopoly would adopt. Observers have to decide, therefore, whether the predominance of the unions’ motive is the latter, or whether the union’s education philosophy derives primarily from pursuit of the “public interest”.

Simple majority democracies are associated with complex coalitions, large campaign fund accumulations and considerable vote trading. The ability of well-organized and concentrated institutions to “deliver” vote support is, of course, a very attractive propensity to politicians. The NEA and the AFT are prominent examples. It was in 1972 that the NEA organized its first political action committee (PAC) and by 1992 it was contributing over $2 million to congressional candidates. An additional $2 million, meanwhile, was going to state and national political parties for voter registration and related activities. In the opinion of Lieberman, while the unions do on occasion support Republicans, “for the most practical purposes, however, the NEA (and AFT) are adjuncts of the Democratic Party”. (Lieberman, 1997, p. 76.)

One final aspect of the workings of democracy needs explanation because it is invariably neglected. Specialists in the “economics of politics” observe that, in single issue situations, the outcome of voting is determined by the median voter. Consider the following very simple example of a population of 5 individuals with income distributions shown in Table 1:
Table 1

<table>
<thead>
<tr>
<th>Individual</th>
<th>Case A</th>
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<td>Income</td>
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<td>5</td>
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<tr>
<td>Total Income</td>
<td>15,000</td>
<td>20,000</td>
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<td>Average Income</td>
<td>3,000</td>
<td>4,000</td>
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<td>Median Income</td>
<td>3,000</td>
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Total proceeds of an education tax of 10% of total income: 1,500, 2,000

If each individual has a vote then person number 3 is the median voter because there is an equal number of voters on either side of him. Assume that preferences for tax funded education is distributed in proportion to income. Consider the median voter’s preference to be m. Voters 4 and 5 will favour m over any proposal to supply less. Voters 2 and 1 will favour it over proposals to supply more. Thus the median voter’s preference dominates.

In Table 1 the median voter’s income, in case A is $3000 and this is also the average income. Case B, in contrast, shows a “skewed” income distribution. The presence of exceptionally rich individual number 5 (with income of $10,000) increases the average income to $4,000. This is now $1000 above the median income (which remains at $3000). In the real world, income distributions are similarly skewed, although not as “severely”.

Assume now that public education is financed by a flat tax equal to 10 per cent of income and that education costs $1 per unit. The median voter’s education tax in scenario A would be $300, as would that of every other individual (since, to reiterate, the median voter’s preference would dominate). The total education tax proceeds in case A therefore would be $300 x 5 = $1,500. Each individual would obtain 300 units of education (bearing in mind that the assumed “tax price” or cost is $1 per unit).
Next suppose that the scenario changes from A to B. The total and average income increase to $20,000 and $4000 respectively. The 10 per cent education tax would now generate a total of $2000. This would allow the median voter to increase his demanded quantity of education to 400 units while still paying $300 in tax. In effect this is a drop in the median voter’s tax price per unit of education. Because this “privilege” is available only through a tax funded public education system, the median voter will, to that extent, be biased against any proposal to abolish it.

Alternatively suppose that individual number 5 in Table 1 was initially forfeiting a “free” public education for his child and instead was patronizing a fee paying private school (i.e., he was “paying twice” for his education). The total tax revenue available for public education would remain at $2000. Spread now among only 4 users of public education, this would amount to an education worth $500 each. Consider next the probable response to a proposal to offer all parents, including those currently using private schooling, an education voucher worth $400 each. The median voter would clearly reject such a “universal voucher” because he would now be obliged to share the available total of education tax revenue with the rich individual (number 5). The conclusion is that, at least with such elementary models of politics, the forces of democracy would tend to resist such reforms as vouchers.

Several critics of the public school system reject vouchers as a “solution” anyway because they foresee the future imposition of such a raft of regulatory standards that the recipient schools would become virtually indistinguishable from public schools. But even if one sides with these critics it is necessary to appreciate that the above logic predicts an inherent resistance of the median voter public school supporter towards most other “solutions”, including tax credits, contracting out, home schooling and lowering the compulsory age limit for education. Thus the typical concurrence in democracies of positively skewed income distributions, median voter dominance in single issue situations, and the existence of some fee-paying private schooling, leads to the conclusion that the median voter is, to a large extent, grid locked into the present public school system.

**Pessimism Versus Optimism**

The overall thrust of this essay tends towards what some would call pessimism. There are some developments, nevertheless, that deserve additional mention especially since they might be viewed more optimistically. The first concerns the prediction (above) that the median voter will reject education vouchers when they are payable to all families. His opposition, however, may disappear if the vouchers
are not universally available but are instead confined to low income families. It so happens that it is this selective type of voucher that is featuring the successful system currently operating in Milwaukee.

Consider next the 1998 Supreme Court of Wisconsin’s denial of the contention that the State’s school-choice plans violate the Establishment Clause’s separation of Church and State (The Wall Street Journal, Monday Nov. 23, 1998.) Clearly this decision will help to widen Milwaukee’s voucher coverage. And its success may well encourage other states. (The Wisconsin decision was appealed to the U.S. Supreme Court which subsequently declared that it would not review the State Court’s decision.)

Charter Schools
A third development that might be impressive to many is that of the charter schools. In the United States these are public schools which operate under state-enabling legislation and receive pupil funding from taxpayers’ dollars, usually by allocation of district-level education funding on a per-pupil basis. Sponsors must apply to local education districts or a state chartering authority for a charter under which they will function, stating educational objectives, curricula, and proposed methods of operating. Charter schools are governed locally by citizens, parents, teachers and universities and are said to enjoy much autonomy. Some significant incentive effects exist because a charter is in effect a performance-based contract: if the school does not perform up to the standard set in the charter, it can be revoked and the school shut down. In the United States, 29 states now have charter laws, and by 1999 over 500 charter schools were in operation around the country. President Clinton has stated that the United States should set a goal of 3,000 charter schools by the year 2000.

Although many states have passed legislation that attempts to prohibit for-profit operators from chartering, this does not necessarily prevent for-profit companies from entering indirectly. Such companies may simply contract with the charter “holder” to operate a school. In the case of the successful for-profit private school organization called SABIS, for example, while it has not been allowed to contract directly for a charter school in Chicago, it has got into the business indirectly by being hired as a charter school manager by a not-for-profit company. Elsewhere the for-profit mode appears to be spreading significantly. Of the 46 charter schools

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8 The name SABIS was constructed from the abbreviated surnames of the founders Leila Saad and Ralph Bistany. SABIS is an international chain of for-profit college prep schools with units in Lebanon, Pakistan, England, the United States, and five of the United Arab Emirates.
that began operation, for instance, in Arizona in 1995-1998, 13 are being run by for-profit organizations.

Clearly it is only a minority of charter schools that at present are run by for-profit organizations. Indeed, several states do not welcome even indirect association with them. It has to be remembered, meanwhile, that charter organizations are public (government) schools, not private. With few exceptions, and the SABIS school seems to be one such, charter schools in most states are still hindered by a multitude of rules and procedures. Many lack access to capital and start-up funding. Some are forced to hand back significant portions of their budgets to the local district as a rent or overhead payment. It is not clear therefore that the typical charter school will be able to continue to operate with significantly less money than conventional public schools, and simultaneously produce superior results. One should, in any case, keep the situation in the following numerical perspective: even if the United States reaches President Clinton’s stated goal of 3,000 such schools by the year 2000, there will still be some 80,000 public schools (over 96 per cent of the whole) that are not charter schools.

The Edison Project
Another enterprise that has caused some excitement is the Edison Project, started by entrepreneur Christopher Whittle in 1992. Originally intended to produce a large national chain of private schools, it now focuses on negotiating contracts with public school districts to run individual schools for an established fee. The project now has 51 schools and serves more than 24,000 students in 26 communities. It hopes to have 75 schools by the fall of 1999. This venture can be classified under the policy of “contracting out”. Another example of it is the arrangement between Baltimore City and a company called Educational Alternatives, Inc. This endeavour, however, has not been very successful, the major problem being the toughness and political influence of the unions. They, of course, are generally opposed to any arrangement that does not guarantee strict observance of the unions’ previously negotiated provisions such as salaries, curriculum, length of the school day and so on.

One striking aspect of the Edison Project is that it is beginning to offer stock options for teachers. The implication is that teachers will now have an opportunity to benefit financially from the success of their schools, an opportunity that has, of course, been blocked in the conventional public school system.

To return to the practice of contracting out, those education suppliers that attempt it seems always to be in a precarious and vulnerable position. If they try to
demonstrate an ability to deliver education more efficiently, i.e., with lower costs, they soon find a serious obstacle in the fact that they have to respect the current practice of paying teachers, not in accordance with their success in the classroom, but instead according to length of experience and teacher education. The “new” education suppliers indeed tend to find themselves confronted with additional regulations at every turn. The main argument that is presented is that because “public money” is involved the newcomers must be shown to be “accountable”. For more promising alternatives, it seems, choice advocates must look to experiments that are completely independent of public finance.

**Privately Funded Vouchers**

It so happens that in the United States there is a system of privately funded vouchers or scholarships, which is independent of government funding. Predictably it is on average operating with increased efficiency in education. This may well be due to the fact that the private funding of the vouchers is usually less than 100 per cent so that there is considerable room for contributions also from parents.

Major examples of particular programs occur in Milwaukee, San Antonio, Atlanta, and Battle Creek. In Milwaukee, the largest pre-college scholarship program to date was launched with massive support from the Lynde and Harry Bradley Foundation and the Archdiocese of Milwaukee. In its first year, the Milwaukee program served more than 2,000 students. In the same year in San Antonio a group of business leaders, in conjunction with the Texas Publics Policy Foundation, launched a private voucher program serving over 900 students.

While having some very attractive features from the point of view of those who favour market competition, the privately funded voucher system could not possibly hope to make substantial inroads on the public education system in the near future. And the main reason is the limitation of voluntary donation funds. The story may differ, however, in the long run after generations of families have been presented with successive demonstration effects about how to deliver quality education.

**Home schooling**

A final example of interesting developments is that of home schooling. Estimates suggest that up to 1.23 million families are now teaching their children at home and that the growth rate is between 15 and 40 per cent per year. Motives vary from

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9 Lyman, 1998.
concerns about crime and lack of discipline in government schools, to general
dissatisfaction with their performance. According to Lyman (1998), the lesson from
the current boom is that “home schooling, with minimal government interference,
has produced literate students at a fraction of the cost of any government
program”.

Bearing in mind that, logically, education is an issue of states’ rights, laws and
regulations vary. In States such as Idaho, Oklahoma, and Texas there is no
requirement for parents to initiate contact to begin home schooling. On the other
hand, States such as Massachusetts, Minnesota, and New York are heavily
regulated.

The Economists
The 20th Century economic case for vouchers was first presented by Milton
Friedman (1962). He focussed on inefficiencies in the public school system
stemming from its monopoly status. Thirty-seven years later such complaints
persist and frustration among Friedman’s followers seems undiminished. Economist Eugenia Toma (1999) emphasizes the continued lack of appropriate
incentives. Where productive changes do occur, those responsible, are often left
without rewards. This is because the process of generating change is so diffuse that
the individual innovators cannot be identified. In addition those among the
suppliers who fail to provide education have been exempt from responsibility,
protected as they are by their unions. “Substantive educational policy changes
most often have stemmed from the state level of government and from bureaucrats
far removed from the production process… When policies do change, they tend
not to be marginal. We switch from phonics to whole word reading or from old
math to new math, and to the classroom teacher, these changes appear overnight
and without his or her input.” (P. 5.)

Toma’s proposed reform is the most radical so far: together with vouchers she
would introduce the following major structural change: “assign private ownership
rights over the schools by giving them to the teachers and their unions. Make the
teacher unions residual claimants in the strongest sense of the term. By owning the
schools, the teachers and union members will face incentives that coincide with the
incentives of parents and taxpayers.” (P. 15.) A key question to pose here,
however, is whether the present agents in the system will accept the offered
donation, bearing in mind the implied loss of their present protected position.

Other economists find Friedman’s diagnosis inadequate because they believe that
it does not sufficiently take into account the public (“external”) as distinct from
private benefits. The externalities from education are said to include the benefits enjoyed by persons/taxpayers outside the immediate family. The education of its child improves the welfare of such “neighbours” because for instance, (a) the implied acquisition of literacy makes for a more democratic and stable society; (b) there is less crime; (c) the production of human capital redounds to the economic success of the whole society. Because such externalities can stem equally from private schooling, however, there are no clear cut policy implications. Friedman has in fact always recognized the theories of externalities but has stressed the need for precise evidence. Some citizens, especially in the violent school year 1999, might focus on the possibility that externalities from public, as distinct from private, schooling can sometimes be substantially negative.\\footnote{George Will has emphasized (This Week with Sam and Cokie, Sunday, April 28th, 1999) that the growing instances of violence such as the massacre at Colombine High School on April 20th, occur in the public schools. It would be difficult, he maintained, to conceive of student gangs wearing trench coats ever to be allowed in private schools (where firmly imposed dress codes typically prevail). He also expressed the view that any attempt to prevent public school students bringing swastikas to school would immediately invite the opposition of the Civil Liberties Union. One should remember, too, that the typical size of government schools is well above that in the private system, a fact that tends to depersonalise education. It seems therefore that insofar as there are externalities associated with public schooling, several of them might well be adverse.\\footnote{For those having difficulty with the concept of marginal externality consider the following: suppose medical research has established the probability that if the average person eats one orange a month he will benefit, not only himself, but also other persons in his environment. The implications for government policy will then depend on the evidence of private consumption. If people are on average eating two oranges a month then nothing further is to be gained from government intervention. And the external benefits are irrelevant at the margin. This is Friedman’s position with regard to education and it has been influenced by his reading of the historical evidence of private behavior with respect to schooling before intervention.}}

Manski, (1992) contends that “to Milton Friedman, the theoretical argument for vouchers was sufficiently compelling to make empirical evidence unnecessary…” (p. 354). On the contrary, Friedman insists that evidence is crucial especially with respect to claims about externalities. A key consideration is whether externalities are “policy relevant” at the margin, and this can be demonstrated only by evidence. Since this is not produced by Friedman's critics, it appears that it might be they who are empirically wanting. In the meantime, Friedman (1975, p. 92) observes “I have yet to see a plausible argument for any net positive marginal externality from additional schooling”.\\footnote{For those having difficulty with the concept of marginal externality consider the following: suppose medical research has established the probability that if the average person eats one orange a month he will benefit, not only himself, but also other persons in his environment. The implications for government policy will then depend on the evidence of private consumption. If people are on average eating two oranges a month then nothing further is to be gained from government intervention. And the external benefits are irrelevant at the margin. This is Friedman’s position with regard to education and it has been influenced by his reading of the historical evidence of private behavior with respect to schooling before intervention.}

**The Student Peer Group Problem**

Several economists are now researching on one particular case of negative externalities that involves what are called peer group effects. When a bright student from a public school moves to a private school (with the aid of a voucher) he/she will stimulate other students in the new school such that overall...
achievement will improve. Less bright students, however, who are left in their original public school will suffer a reduction in stimulus because of the emigration of their well-motivated and more able colleagues. These economists stress that such negative external effects violate the policy objective of providing equality of educational benefits (from vouchers) across students. In short, while vouchers increase efficiency they offend equity. Thus Denis Epple and Richard Romano (1998), while affirming “the obvious claim” that vouchers will stimulate competition and thereby “reduce technical inefficiencies”, the resultant peer group effect will nevertheless induce a school hierarchy to the detriment of the least able students. [See also Nechyba (1998), and Manski (1992).]

This last statement has to be qualified by the observation that the public system itself has also induced school hierarchies. The system is not homogeneous, and this fact is eventually acknowledged in Epple and Romano (1998). As Toma (1999) observes, upper income children “live in nice suburban homes and consume the best the public system has to offer. They get the best buildings, the best teachers, the most rigorous curriculum, and the widest variety of extracurricular activities” (p. 7). The affluent parents of such children, meanwhile, benefit from the deductibility of their school taxes.
The relevance of small versus large scale vouchers

The economist Manski (1992) prescribes two complementary ways to learn the effects of choice. One is to undertake experiments with voucher systems, but, he insists, they must be carried out on something like the scale of contemplated operational systems. The second approach is to undertake simulations based on “plausible models of the behavior of the relevant actors…” (p. 357). The tendency of such economists seems to be to focus on large scale voucher systems together with the apparently “all inclusive” simulation method on the grounds that actual experiments, such as the Milwaukee Voucher, are too narrow in scope. This dismissal of the latter plan is unfortunate, however, because all of the “simulation economists” mentioned focus primarily on the needs of the poor, and it so happens that the seven-year old means-tested Milwaukee voucher plan has concentrated exclusively on the welfare of this same minority.

Evidence from the Annual Reports by John F. Witte shows in fact that most families using the vouchers to obtain access to private schools are among the poorest. Their average income happens, indeed, to be about only half the level of the average Milwaukee public school family. With regard to the propensity of vouchers to “skim the cream”, Witte concludes that the programme has been offering opportunities primarily to poor families “whose children were not succeeding in public school”. One factor meanwhile that tends to be overlooked by economists relates to overall cost. In the first four years of the Milwaukee program, the value of the voucher was around $3000, while the public school costs per student were approximately $6000. This yielded a benefit/cost ratio of two to one if we assume that student achievements between private and public education remained constant – which was John Witte’s conclusion.12

Having stated that on the one hand vouchers may cause peer quality in public schools to decline while, on the other, public school quality may improve due to “competitive pressures on an inefficient public system”, Nechyba (1998) concludes that a “classic trade off” is involved. (See also Manski, 1992, p. 357.) The existence of a trade off, however, does not guarantee that a trade will actually take place. It all depends on the asking (or reservation) prices involved. To take an extreme example: if the “price” of maintaining the peer quality for a minority in public schools is, say, 90 per cent of GDP, a “trade” would surely be out of the question. This example brings up the question of the approximate price, or cost, of forgoing a voucher system in order to protect the current balance of peer quality in public

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12 Econometric research by Rouse (1996) concludes that up to that year the Milwaukee Parental Choice program had increased maths scores in voucher schools by between 1.5 and 2 percentage points per year, while the results for reading scores were mixed.
schools. The Milwaukee experience suggests that the authorities would be abandoning the opportunity of a very low for a very high cost of education supply. Whether the voucher policy should or should not be adopted is obviously very debateable from the trade off point of view. Yet such important cost issues appear to be surprisingly ignored (or played down) by the “simulation analysts” so far mentioned.

It is difficult not to conclude that the “new” (post Friedman) economists might be straying from the most meaningful and constructive avenues of analyses. Consider next their insistence that voucher experiments be carried out on something like the scale of contemplated (large) operational systems. (Manski, 1992, Nechyba 1999.) This appears to brush on one side too quickly the striking success of small local experiments such as that in Milwaukee. In addition some of their arguments are vague. They appear, for instance, to visualize exclusively a top down imposition of equality by something they describe as “society”. This institution is never defined even though one could explore several versions – including society consisting of the suppliers of education, society as determined by median voters, or society as viewed in terms of unanimous consent in a constitutional setting.\(^{13}\)

Can we really dismiss the Milwaukee project because it doesn’t involve “the scale of the contemplated system”? Why couldn’t the local (Milwaukee) area be the relevant scale contemplated? Once established it could yield valuable insights for other localities that wish to start their own experiments. Economists have lost perspective if they have in mind the federal authorities as being the only possible architects of a voucher system. Among other things, this would ignore the legal fact that the constitution has given the main responsibility for education to state and local governments.\(^{14}\)

It is intriguing to conjecture what would have happened had the new economists’ approach been attempted on the eve of the replacement of the 19th Century network of universal private (and denominational) schools by a system of common schools financed partly by taxes and partly by fees. Would there have been any inhibition because of the absence of any extensive experiment “on the scale of the truly contemplated (“free public”) system”? From our knowledge of the history of

\(^{13}\) Manski, (1992, p. 355), refers to “society” seven times on the same page without providing a single definition.

\(^{14}\) Manski (1992) justifies dismissal of the Milwaukee evidence partly on the grounds that “these efforts have not been in place long enough for conclusions to be drawn.” (p. 354.) But this comment was made seven years ago.
educational events the answer seems no. The system that emerged was due largely
to the efforts of the “society” of the organized teaching profession. This scenario is
a far cry from visions of a top down establishment of a truly equitable education
system by some benevolent government.

In the meantime, even if the economists’ propositions about the negative
externalities of peer group effects are acceptable in terms of pure logic, their
implication for the real world must at present be seen as rather remote. The chief
objective of Epple and Romano (1998), for instance, was to devise the best design of
a voucher, one that resolves the peer group problem. The basic idea is that
vouchers vary in value with ability, that is their value rises as student ability
decreases. No voucher is given to those who are the least needy, i.e., to those who
attend higher quality schools. Obviously the information and administration
requirements will be large. And the fact remains that it is a voucher system that is
ultimately being recommended and one that does not seem to promise to reduce at
all the opposition to vouchers by teacher unions and administrators.

It appears, in fact, that the strength of very local politics accounts for more success
in the establishment of vouchers than the presentation of abstract economic
theories. It should be remembered that the Milwaukee plan was pioneered largely
by the Democratic representative “Polly” Williams to remove the inequity on her
poor constituents by giving them the advantage of public/private choice that only
the middle class was enjoying. This has been one of the rare cases in democracy
when the poor have received direct political support in their council chambers. Just
as interesting, the Milwaukee plan, once established, triggered wide institutional
support. It did, after all, prompt the Supreme Court to clarify much further the
probable constitutional status of school choice plans under the Establishment
Clause. If it hadn’t been for the existence of the Milwaukee plan this might not
have happened.

Any attempt to give priority to “the new economists” policy of optimal
redistribution of student peers, must first demonstrate that the administrative costs
will not be prohibitive. Notice, too, that the policies suggested so far concentrate on
those educational “outputs” that are easy to measure. In a world of rigidly
confined public education this will be relatively easy to accomplish. Where,
however, the objective is to relax the associated coercion by reinstating parental
freedom to choose, one can expect the introduction of a rich diversity of
educational processes, many of which are not easy to measure in terms of
“outputs” and consumer satisfaction. Thus the complaint that the “peer group
effect”, will induce a school hierarchy to the detriment to the least able students is
open to the challenge that the latter group, as well as all other families, might be more than compensated by their new access to private types of education that cater to a wider spectrum of cultural aspirations, philosophies, and religions together with a closer and more workable matching of individual students with teachers. Where education vouchers are a fact of life, new private schools can be expected to spring up quite rapidly and in a wide variety of places to meet newly expressed demands. Also the competition that Epple and Romano expect from vouchers, together with what they call a reduction of the technical inefficiencies that it will bring might more than compensate taxpayer/citizens for any negative peer group effect. Notice too that such an effect will not occur where the value of an existing public education is zero. If advocacy groups are correct, for instance, thousands of students, mainly Blacks and Hispanics who live in the poorest neighbourhoods experience such deplorable conditions in New York that entire school districts are being labelled “dead zones”.15

The fact that the Milwaukee experience reveals that vouchers unleash a variety of enthusiastic new demands is born out by the evidence. Witte’s reports include the finding, for instance, of high parental involvement and satisfaction, once in the [voucher] system. Agreement among parents that the program should continue has been almost unanimous (McGroaty, 1994, p. 110). It is not surprising that, since its inception, lack of space has resulted in more students being turned away than have been accepted into the plan so that, in consequence, spaces are now apportioned by lottery.

**Conclusion**

The first part of this essay explored, in historical terms, the evolution of the public education system as we know it today. Desiring to place the system in the arena of politics, ambitious opportunists in the 19th Century used two approaches. The first was the brandishing of statistics claiming serious educational deficiency, a method that was used especially in Britain. The second method, used more especially in America under such leaders as Horace Mann, was to condemn the nature and content of the hitherto flourishing private schooling. It was now insisted that private schools were not in a position to offer the “true” kind of education.

No apology is made for the brief historical account at the beginning of this essay because we can now see history repeating itself in the reappearance of such arguments. According to one specialist in the child care area, advocates of increased government involvement in this field, “generally argue that (1) there is a

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shortage of child care facilities, (2) unregulated child care is harmful to children”. As we have seen, these are precisely the two types of arguments that proved so successful in obtaining government intervention in the 19th century. According to my analysis of the latter situation, the empirical evidence did not support the offered rationale. Apparently (see Olsen, 1997) the same is true today.

Staunch supporters of the current public school system attempt to rationalize it via a series of further *a priori* arguments. A leading one is the assertion that public schools have become necessary institutions because they are an essential part of democracy. Our essay, however, has posed six questions that tend to challenge this assumption on its own grounds. Beyond this, a full description of democracy calls for a proper investigation of government alliances in the real world with interest groups such as teacher unions. As conducted today, it has been maintained that these institutions are often serious *obstacles* to democracy. A second avenue of rationalization of the government system, and one that is being pursued by some economists, is the claim that the same enterprise can best handle the student peer group problem.

Reference has been made to two schools of economists on the subject of educational policy. The older one has been that of Milton Friedman while the younger has featured neoclassical model builders. Uncomfortable at what they see as a current lack of supply of real evidence on vouchers, and demanding a strict emphasis on analysis rather than advocacy, the latter school have resorted to mathematical simulation in terms of large scale models. This essay has conjectured that the Friedman school would not agree that there is a serious absence of useful evidence, and it would cite the Milwaukee Plan as a case in point.

It is now time however to draw attention to another important distinction. Friedman regards the education voucher simply as a stepping stone to the ultimate withdrawal of government in education (except for providing for the really destitute). Friedman’s voucher will initially be valued at something less than the average per capita cost of public education. With the passage of time the proportion of the voucher value to the average public cost will diminish, eventually to zero. Private enterprise will then begin to flourish again because of the restoration of a level playing field.

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17 Milton and Rose Friedman, 1980, p. 162.
The second school of economists is obviously reluctant to enter this dimension of the debate. To the Friedmans, on the contrary, it is the long term objective or vision that is the most crucial. It brings more into the open the teachers’ unions’ assumption that a market driven public education system catering mainly to parents and families would be seriously misinformed because it would weaken the influence of trained and unionised personnel. The latter, after all, claim to be “professional educators” while parents cannot; and certainly parents do not have the time to deliberate on the best pedagogic requirements for their children.

The Friedman school strongly challenges this viewpoint, while the second school appears to ignore it. It’s most outspoken defender in the history of thought was Sir Robert Lowe, a writer with whom the Friedmans will evidently feel much affinity. Lowe told the 1868 School Enquiry Commission in Britain, “I myself see nothing for it but to make the parents of the children the ministers of education, and to do everything you can to give them the best information as to what is good education, and where their children can be well taught, and to leave it to work itself out.” The precise reasons for this judgment were expressed by Lowe later in the same year:

Parents have one great superiority over the Government or the administrators … Their faults are mainly the corrigeable faults of ignorance, not of apathy and prejudice. They have and feel the greatest interest in doing that which is for the real benefit of their children. They are the representatives of the present, the living and acting energy of a nation, which has ever owed its sure and onward progress rather to individual efforts than to public control and direction. They have the wish to arrive at a true conclusion, the data are before them, they must be the judges in the last resort, why should we shrink from making them judges at once?18

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REFERENCES


