The Prime Minister, the Secretary of State for Education, the Chancellor of the Exchequer and other Ministers have spoken of the school voucher. The Secretary of State invited two organisations to comment on 'difficulties' raised by his officials. One, FEVER (Friends of the Education Voucher Experiment in Representative Regions), invited 15 of its advisers round the world to respond. This article is based on the reply from Professor E.G. West.

The 'cynic might argue that the DES officials have a strategy typical of education departments the world over. Their instinct is to meet the pressure for education vouchers by 'perpetual dialogue' designed to keep the issues in a state of unending theoretical conjecture and debate. On the other hand, the Thatcher Government has openly committed itself 'to the extension of parental choice and involvement in education'. Sir Keith Joseph emphasises, moreover, that this policy has already been implemented to some extent in the British Education Act 1980, which established requirements for the publication of information, including examination results, about individual schools, and the Assisted Places Scheme 'to improve the access to good independent schools for children from poorer families'. Nothing revolutionary has resulted yet from these two provisions (especially from the information requirement). But it will be argued here that, with minor modifications, they could be used as important avenues of reform.

Sir Keith Joseph has said he would consider a voucher experiment 'only if it is clearly possible to formulate a scheme which could deliver more benefits than are obtainable under the 1980 Act'. But the Act itself contains a voucher scheme, and one which could well be expanded. The very word 'voucher' probably sounds too
revolutionary for political and bureaucratic comfort. But what's in a name, so long as the same objectives are accomplished?

Funds must follow pupils

The central philosophy of voucher supporters is that educational funds follow the child to the school of the family’s choice. The Assisted Places Scheme provides subsidies to private schools, not vouchers to the parents. But since the subsidies are usually based on enrolments, the result is the same as with the voucher system. The parent triggers off an incremental portion of the private school grant by his/her decision to choose one independent school in preference to others or to state schools. Government funds follow the child just as they do with the voucher. Moreover, the parent can often, in effect, make 'add-one' ('top-ups') to these 'vouchers' by paying any extras required by the chosen school.

Consider a society with 95 state ‘free’ schools and 7 independent fee-paying schools. Suppose the government wishes to finance the option of an independent schooling for some families using state schools. Assume that 5 out of the 7 independents pass inspection. The selected parents are asked to choose from the 5 qualifying schools. Their children will then have independent schooling paid for by the state. In effect this is broadly the structure of the Assisted Places Scheme.

Identical results would be achieved by a voucher system, which also requires government screening of qualifying schools. (This is true of Milton Friedman’s voucher proposals.) The only difference is that the earmarked funds would reach the chosen school via the parents. But in both cases the schools compete to attract the funded families. The Assisted Places Scheme therefore can also be called a voucher system because it achieves the same results as the conventional voucher.

Some voucher advocates might argue that the 'subsidies-to-schools' version of vouchers faces the danger that it might be accepted by the bureaucracy to suit its convenience and we shall never have the voucher as earmarked purchasing power. But it is difficult to see why exactly the same danger does not face the conventional voucher system. Others, again, might urge that with the direct grant
method there is no pricing, and that this is fundamental. Pricing, however, has still to exist because the government will be purchasing from suppliers on a private market. There may be something in the fear that, because families as consumers do not themselves directly pay cash, or see the prices, they will not be motivated to be adequately informed and to act in a way that contributes to full market efficiency. It will be shown below nevertheless that the most realistic and appropriate development of the Assisted Places Scheme will involve marginal contributions from parents and therefore in some important element of consumer pricing.

The 'restricted' voucher in Canada

The voucher system in the sense of 'subsidies to schools' has recently been gaining ground in Canada. It has been adopted in Alberta, Quebec, Saskatchewan and, most conspicuously of all, in British Columbia where a fairly ambitious system has been established following its 1977 Independent School Support Act. Alberta, Saskatchewan and Quebec, as in England, provide subsidies according to enrolment in selected independent schools only. An additional feature of the English system is the emphasis upon 'children from poorer families'. Those who want to develop the voucher idea in England, therefore, could, initially, argue simply for expanding the Assisted Places Scheme of the 1980 Education Act by including more independent schools and pupils of a wider variety of ability and income.

The policy of encouraging a wider access to private schools by government direct grants is not a new tradition. The method was first employed when government began its aid to schooling in England in 1833. For some time state funds were channelled through the National Society and the British and Foreign School Society for distribution among private and sectarian schools, and from 1839, through a Committee of Council, the forerunner of the Department of Education.

The common belief that government intervention in education did not seriously begin until 1870 is thus misinformed. It is also not true that immediately after 1870 the Department of Education was engaged exclusively in supervising
the creation of state schools throughout the country. The purpose of the new state schools was simply to 'fill the gaps'. The majority of places were 'non-gap' areas where direct grants were being distributed to all kinds of private schools, elementary as well as secondary. Such direct grant administration continued to be the leading function of the Education Department for the rest of the century. And it is this same machinery that could be used to create a widespread voucher system today.

The comprehensive direct grant system was attenuated in the 20th century and was formally terminated in 1976, when they had become confined to a few superior, mainly secondary or grammar, schools. Seen in this light, the 1980 Act is an endeavour to undo some of the attenuation. In perspective the attempted redress so far is only very modest. More important, the question is whether its provisions will effectively attain the stated objective.

'Poor' children at 'good' schools?
The Assisted Places Scheme now selects a low-income child for an independent school with exceptional standards. But if it is intended to implement some notion of equity the provision is very debatable. The low-income pupil who typically qualifies usually possesses above-average ability. He/she will fare well even in the absence of help from the Assisted Places Scheme and therefore can be expected to perform above-average over a lifetime in school, probably university, and earn above-average income from employment.

Redistribution towards such fortunate individuals is away from people with lower expected lifetime incomes since they are compelled to contribute taxes that finance the scheme. It thus throws the purpose of the policy into question. A system that provided for a larger number of low-income children to enter independent schools suited to their ability would qualify much more strongly on grounds of equity. A move to such a system, therefore, is quite consistent with a transition towards the full voucher system. This modification of the 1980 Education Act would thus improve the legislation in achieving its own aspirations.
The Assisted Places Scheme is designed to improve access exclusively to 'good' independent schools. The Department of Education meanwhile cannot claim that all state schools are of the same standard, and equal in efficiency to 'good' independent schools. Accumulating evidence shows the state school system to be markedly heterogeneous. Professor Michael Rutter demonstrates from research in London schools for instance (15,000 Hours: Secondary Schools and Their Effects on Children, Open Books, London, 1979) that scholastic achievement is more likely for children attending some schools rather than others. He found that factors such as school size, age of building, and space available made little or no difference to educational results. 'It was entirely possible for schools to obtain good outcomes in spite of ... unpromising and unprepossessing school premises.' He concluded that it was a set of factors mainly involving actions and measures taken by school staff that determined successful schools.

Several state schools evidently have teachers who are not efficient and do not, for instance, regularly set homework. Granting parents the opportunity to withdraw from such schools would increase the prospects for their children's future. Suppose the authorities allowed parents the option of choosing between a state school that was officially described as 'satisfactory' and an independent school with a similar grading. There can presumably be no objection to a family transferring between such schools since all will have passed some basic official screening. If, therefore, a parent transferred his child from a 'satisfactory' state school to a 'satisfactory' independent school, he would do so for reasons best known to himself. At this stage parental preference is given some real meaning. If parents' free choices always coincided with official standards there would be little purpose in this Government's stipulation of 'respect for parental preference' as an end in itself.

Indeed, paying respect to the preference of the vast majority of parents could be justified on much stronger grounds of equity than do the arrangements under the 1980 Act. Vouchers, even if available to the rich as well as to everybody else, would improve the quality of the schooling available to the rich hardly at all. Choice has long been exercised by the highest income groups. In contrast,
vouchers would improve the quality of schooling available to the lower-income class to an enormous extent. And this would apply, moreover, to most children within this class and not only to a few gifted individuals.

**Costs: no 'deadweight' loss**

The Department is apprehensive about costs. Certainly these will increase in the short-run if no transfers of public to private schools occur. But even if all the benefits accordingly accrue to the present private school population there would not be a ‘deadweight loss’. The Department recognises a major purpose of a voucher scheme as that of providing ‘parity of parental choice for all schools whether maintained or independent’. By removing the obligation of independent school users to ‘pay twice’ such parity would be established. This alone is a benefit that presumably would offset the cost. Some significant enrolment transfer from state to independent schools is however likely to take place following the voucher scheme. To illustrate the consequences consider a community of only 100 pupils, five in independent schools, 95 in state schools. Suppose the costs per head to be £1,000 and £1,666 respectively (below). Assume the value of the voucher was based on the (lower) costs of the independent school, i.e., £1,000. To the extent that the voucher benefited the incumbent private school population, it would cost the government £5,000 (five students at £1,000 per head). But if only another five pupils were attracted from the public to the private sector, and marginal costs were equal to average costs, the government would save from the migrating students £8,330 (£1,666 x 5). The ‘voucher’ system would therefore result in a net gain of £3,333. Clearly the expected degree of migration has important consequences when considering cost savings.

In the officials’ statement the assumption is that the voucher should be based on the average cost of state schooling. This is not obvious. Since the average independent schooling costs less than the average state schooling, there is no reason to supply the larger sum. Accordingly I based the value of the voucher on the independent school costs (£1,000).
The calculations in my example have been based on the assumption that average costs are the same as marginal costs. Despite the Department’s fears, there is likely to be little difference between the two in the long run. The withdrawal of five pupils from a school of a normal population of 100 admittedly may not save 5% of the costs. But 500 pupils leaving a state system that normally caters for 10,000 could ultimately lead to the closure of five schools, in which case the withdrawals would clearly save the state system the per capita average costs.

Central v. local political initiative

John Barnes (JEA 11. 1, October 1981) pointed out that the central government grant is now, on average, about three fifths of the local government expenditure. Assuming these same ratios to apply to education, the central government could effectively institute a voucher scheme single-handedly. In our example the per capita state school cost was £1,666. Three-fifths of this (£1,000) can therefore be assumed to be financed by central government. But this same amount (£1,000) happens to be the average cost of independent schooling per head in our illustration. If the central government distributed its funds in the form of a voucher (as Barnes suggests), a full voucher scheme would be implemented without local government finance.

The average per-child costs for a place in a state school in 1981 for 11-16 year olds is reported to have been about £1,000. Allowing for 10% inflation this would be £1,100 in 1982. A voucher of three-fifths of this amount would be worth £660. The state school costs however are understated because they do not include the costs of capital extensions and improvements. The figure of £660 is therefore somewhat lower than would be necessary to cover average independent school costs, assuming they were three-fifths of state school costs.
Suppose, however, that a voucher as low as £660 were available for approved private schools. More competition would ensue and the costs of independent schools could fall, so that the voucher under valuation could be reduced. But even where the voucher value remained at less than the full costs of private schooling, opinion surveys suggest that significant numbers can still be expected to transfer from state schools. In this situation the clients of private schooling would typically purchase it with money from their own incomes as well as with public money (the voucher). It was this combined financing that worked in the 19th century. And it is this arrangement that would go far to satisfy voucher advocates who see direct consumer pricing as a fundamental feature. Indeed, supporters of 'Friedman vouchers' usually expect (or hope) that the 'add-ons' will become a growing proportion of school finance in the long run; for it is the 'add-ons' especially that make the head of the family a more astute consumer.

The Department fears that 'starting a new independent school is a slow, expensive and risky business. . . .'. Such sentiments reflect experience of the private sector in recent years, when the political environment has been hostile to it.

**Professional morale would improve**

There is no doubt that this hostility will continue if other governments are elected. In its 1982 Consultative Paper on Education, 'Foundations for the Future', the SDP is advised to *abolish* the Assisted Places Scheme. Clearly, much depends on whether this Government is re-elected. If it really believes that most parents want wider choice, it should take the offensive with the announcement, in its next manifesto, of a much broader Assisted Places programme. A resounding victory on this issue would then significantly reduce the risks of starting new independent schools in the future.

Consider finally the Department's apprehension about the consequences for professional morale in the transitional period. Insofar as an increasingly competitive system allows the more creative and active teacher to receive better
recognition, his or her professional morale would be strengthened. It is true that extra costs would initially fall mainly on contracting schools. Whether, however, this would 'create a spiral of falling standards', as the Department puts it, is debatable. The purpose of the market is to generate signals to prompt suppliers to make requisite changes in their services. So while initially there can be a reduction in enrolments in some schools, eventually there may well be self defensive changes in their outputs that make them, at least, more popular. The problem with the present system is that these signals are missing.

Voucher migrants

The Secretary of State has emphasised that the 1980 Education Act was intended to give primacy to parental preferences. Insofar as this goal is to be implemented by the Assisted Places Scheme, aimed at improving the access to independent schools, the Department has the potential answer to many of its own questions. Fears that 'voucher migrants' may be expensive because the marginal cost saving in the state sector would be only a fraction of the average cost value of vouchers spent at the independent sector apply equally to the Assisted Places Scheme. Since the objection did not inhibit the Government from adopting that scheme, there will presumably be no similar inhibition in developing it along the lines argued here. The 'marginal cost' issue in any event is less of a difficulty than appears at first sight.

Education Departments do not, and have not, always been obliged to cling to the status quo because of the fear of uncertainties. If they did, 'free' state schooling would not have been introduced in the first place. The 19th century authorities would have shrunk from attempting to fill up the gaps because of two major uncertainties concerning, first, the size of the gaps reported, second, the cost of the new board schools that were to fill them. Yet the Government went ahead despite these unknowns.

Any possible risks involved with developing a voucher scheme today will be of a much smaller order of magnitude. The voucher system is not a plunge into a
strange and brave new world: it has already been experienced - and it has worked.

In this paper we have used school violence as one particular example of an education cost that both rises with school size and is external to those making the school size decision. Such an argument could perhaps be repeated for the effect on school size of other less easily measured attributes of educational effectiveness, such as student alienation, extracurricular participation, school dropouts, interpersonal relations etc. (see the summary by Cotton, 2000). However because these characteristics are hard to measure, the same degree of rigor and precision cannot be attached to this hypothesis as that achieved by evidence of scale economics in the physical cost of producing traditional education achievement measures.

It is then not our objective to argue that school sizes are too large and should necessarily be reduced. While the data we have presented inclines us in that direction, we would be first to point out that there may well exist other benefits of school size, not so easily measured, that may more than compensate for the considerations we have raised. Our point is rather that all bureaucracies can be expected to respond to their structural incentives and that to the extent that society values the educational experience of its users (rather than the public at large) bureaucratic choices will undervalue those attributes of performance that are less easily measured and external to decision makers. Hence in choosing the dimensions of industry structure (such as in our case school size), decision makers should make special efforts to become aware of the missing elements in their measures and question more closely outcomes based on only the subset of variables that seem relevant to that choice. It is our contention that the accepted notion of economies of scale in school size is one example of this measurement bias at work.
References


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