

# The Rise of the State in Education

## Part Two: The Abolition of Parental Fees

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*In the second of two articles on the growth of state involvement in education, Edwin West, a member of the Economics Department at Carleton University, Ottawa, describes the defeat of attempts to defend the competitive system of parental fees in England, America and Australia.*

In my earlier article 'The Rise of the State in Education. Part One: The Intellectual Background' (*Policy*, Autumn 1991) I showed that the classical political economists generally regarded tuition fees as an essential feature of an effective education system. The removal of fees so far as to make education 'free' would automatically remove competition, the economists' main engine of efficiency. As it turned out, their arguments were to no avail.

Parental fee paying was brought to an end in England, the US, New Zealand and the Australian States of Victoria and Queensland around 1870-80; fees in state primary schools in New South Wales were not abolished until 1906. Abolition of fees was eagerly demanded by political interest groups within which school administrators and teachers were well represented. In contrast, parents (of all classes) who were consulted explicitly on this issue in England and Wales were found to be opposed to what they called 'gratuitous' education.

### England and Wales

Contrary to popular belief, although schooling depended almost completely on private funds in the early 19th century, the supply of it was relatively substantial. At this time, moreover, the largest contributors to education revenues were working parents (West, 1983) and the second largest was the Church. Of course, there was less education per child than today, just as there was less of everything else, because the national income was so much smaller. I have calculated, nevertheless, that the percentage of the net national income spent on day schooling of children of all ages in England in 1833 was approximately 1 per cent. By 1920, when schooling had become 'free' and compulsory by special statute, the proportion had fallen to 0.7 per cent (West, 1975:89).

The evidence also shows that working parents were purchasing more education for their children as their incomes were rising from 1818 onwards, and this at a time before education was 'free' and compulsory by statute. Compulsion came in 1880 and the abolition of fees in state schools was legislated in 1891.

**Table 1**  
Growth in public schooling  
in England and Wales, 1818-1858

Year	Population	Average annual growth rate of population	No of day scholars	Average annual growth rate of day scholars
1818	11 642 683		674 883	
		1.40%		3.60%
1833	14 386 415		1 276 947	
		1.47%		3.16%
1851	17 927 609		2 144 378	
		1.21%		2.35%
1858	19 523 103		2 525 462	

Sources: The 1851 census and the 1861 Newcastle Commission

Table 1 demonstrates that the annual growth of enrolments between 1818 and 1858 exceeded the annual growth of population. During the compilation of the 1851 educational census, it was reported that the average school attendance period of working-class children was nearly five years. By 1858 the Newcastle Commission reported that it had risen to nearly six years. And the same authority reported that 'almost everyone received some amount of schooling at some period or other' (see West & McKee, 1983, who argue that the main driving force of the growth rate over this period was not income expansion or tuition fee reductions but what modern economists call a growing 'addiction' effect). It is misleading, therefore, to claim that the 1870 Act that introduced government schools caused expansion in education. Such expansion was already well under way.

The author of the 1870 Act, W. E. Forster, explained that the intention of introducing government-run establishments was not to replace the vast system of private schools but simply to fill up gaps where they could be found. His officials, however, were over-ambitious in their reports of these needs, and after government schools were erected they were often found to have much surplus capacity. To reduce their

embarrassment over half-empty schools, the education boards then resorted to lowering tuition fees. The lower price naturally expanded demand; but this was at the expense of private schools, many of which could not survive such unfair competition.

After education was made compulsory by statute, the government school advocates argued that it was wrong to compel poor people to do something they could not afford. But rather than propose special financial dispensation or grants to these families, the advocates insisted that education should be made free for all: the rich and the middle class as well as the lower-income groups. Free education was legislated only for the new government schools because it was argued that it would be inviting conflict for taxpayers to subsidise religious schools. Protestant taxpayers, for instance, would object to their taxes financing Catholics, and vice versa.

In this way the new gap-filling government schools were given a wide-open field with their zero-priced education. Since most of the subsequent growing population naturally chose the lowered-price alternative, the private schools' share of the market declined and that of government schools skyrocketed. A similar massive crowding-out effect explains much of the experience in present-day America, Canada and Australia.

### **The United States**

The original common schools in America were not 'free', since parents had to pay tuition in the form of 'rate bills'. Where parents pay directly in this way, the tuition money goes with them whenever they decide to transfer their child, from one common school to another or to a private one. It is this aspect of competition that makes suppliers of education attentive to parental preferences. The moment such competition ceases, the relative power of parents declines significantly.

Where, for instance, the fees are zero, the decision to transfer a child to a private school does not automatically transfer funds. And, to reiterate, where a public system is providing its service free, it is difficult, if not impossible, for a private system to survive. This means that there are usually very few alternatives for parents. They therefore tend to become locked into a zero-priced state monopoly system, the benefits of which accrue to the supply interests such as teachers and administrators.

This raises the question why, historically, teachers and administrators in private schools did not establish a counter-organisation that was effective enough to challenge suppliers in public education. There is no easy answer to this. The following, however, should be noted. By the mid-19th century, American fee-paying common schools had become numerically dominant partly because of land grants that enabled them to charge lower tuition fees than private schools. The latter, being largely denominational establishments, were precluded from such publicly-provided advan-

tages. Enjoying this differential cost advantage, the common schools eventually become widespread and numerous. And just as in England, their access to tax revenues ultimately enabled them to abolish the fees. Their personnel had by then become a substantial political constituency that was probably much too formidable for private school organisations to oppose effectively.

Self-interest would have prompted common school employees and their organisers in the 1830s to campaign for a completely subsidised, 'free' school system, in order to remove the last traces of customer discretion. And indeed, organised teachers in the 1840s in New York were the chief campaign leaders in the movement to abolish the rate bills and to make education 'free', enlisting all kinds of expedient arguments (West, 1967). The rate bills in New York finally were abolished with the passing of the Free Schools Act of 1867 (Randall, 1871). As in England, this led, predictably, to a check in the growth of education in private schools. Indeed, by 1870 the superintendent of one New York county could observe with satisfaction that private schools had been successfully crowded out: 'Private schools, always exerting, to a greater or lesser extent, a deleterious influence on Public schools, do not flourish under the operation of the free school system' (Randall, 1871:172). Prompted then, not so much by concern for social welfare as by self-interest, those engaged in the promotion of a common school system to augment a private one soon produced reasons why the former should replace or supersede the latter.

Interestingly, whereas in the US fees were abolished first and compulsion established later, in England it was the other way round. The organised teachers in America argued that because education had been made free it was wrong that some parents still did not take advantage of this: statutory compulsion should therefore be enacted. In England the converse argument was made that, because statutory compulsion had been enacted, education should be made free.

### **Australia: Robert Lowe**

In the history of attempts to retain competitive education in Australia, two political economists in the tradition of Adam Smith stand out: Robert Lowe (1811-92), and William Edward Hearn (1826-88).

A man of great academic distinction, Robert Lowe emigrated to Australia from England in 1842 and achieved recognition as a reform politician. One area in which he became most active was education. After experimental work as a champion of a national system, he returned to England in 1850. Later he distinguished himself as a member of the House of Commons at a time when government intervention in education was becoming a hotly-debated topic. In 1868 he published an influential book entitled *Middle Class Education: Endowment or Free Trade*, in which he argued wholeheartedly for educational free trade.

The publication of this book coincided with the start of his five-year period of office as Chancellor of the Exchequer under William Gladstone. By this time the British government was disbursing modest subsidies to private schools via a Select Committee of the Privy Council. Since the amount of subsidy varied with enrolments, there was ample incentive for competition between schools. Entering office during a call for financial retrenchment, Lowe revised the Code of the Privy Council in the direction of what was called payments-by-results. The revised code introduced deductions in the subsidies to schools in proportion to examination failure-rates. Lowe emphasised that

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the original intention of Parliament was merely to **encourage** voluntary effort, not replace it. If the state paid only for the three Rs there was, he insisted, no reason why the voluntary side of the arrangement could not have dealt with the moral training aspects of education, a subject which was the least examinable and measurable by the state.

The principles behind the revised code were also introduced in Australia soon after 1862. They seem to have been implemented with particular thoroughness in the State of Victoria.

Lowe's new code was soon attacked by political groups and deputations especially from the newly-organised teaching bodies. Their main objection was that the revised code spread the belief that the most important rudiments of education were the three Rs,

the subjects most heavily subsidised. They were deaf to Lowe's argument that the government was only one partner in the finance of education. The other two sources of finance that played roughly an equal part each were private or church subsidies and parental fees. It was up to their corresponding participants, Lowe argued, to contribute **their** incentives to combat undue concentration on what the other participant (government) wanted to encourage. But opposition from the interest groups was so strong that Lowe's scheme died a slow death over the next few years.

#### **Australia: William Hearn**

In Australia, meanwhile, a valiant effort was made to defend a variant of Lowe's scheme. The defender was William Hearn.

Hearn has been named the 'First Australian Economist' (Copeland, 1935). Born in Ireland in 1826, he was appointed in 1854 to the Chair of Modern History and Literature, Political Economy and Logic at the University of Melbourne. In 1873 he became Dean of the new Faculty of Law. In 1878 Hearn was elected to the Victorian Legislative Council as member for Central Province and was leader of the house from 1883 until his death in 1888. He wrote a book entitled *Phutology*, which, in its day, was widely recognised and quoted by the late 19th-century British economists Alfred Marshall and Stanley Jevons. He now has an established place in the history of economic thought.

Although Hearn arrived in Australia four years after Robert Lowe's departure, it is difficult to believe that he had no acquaintance at least with Lowe's *Middle Class Education: Endowment or Free Trade*. Hearn certainly became well-informed on the 1860s controversy in England over Lowe's revised code. Victoria at this time had an educational administration that was similar to England's down to the late 1830s. The English government began intervening in the supply of education by distributing a grant via the Education Committee of the Privy Council set up in England in 1839 to allocate grants to independent schools, so replacing the previous method of distribution through religious societies.

Like the Select Committee of the Privy Council (under Lowe's leadership), the Victorian Board also introduced a system of payments-by-results, and it incited similar controversy. By the late 1860s an increasing number of Victorian schools were being vested in its Board of Education. It was being urged that if they were to include religious teaching it should be undenominational. This was a manifestation of the widespread 19th-century process of the gradual secularisation of education. Again, one of the arguments, as in Britain, was that it was wrong for a Protestant taxpayer's contribution to go towards the education of a Catholic parent's child and vice versa.

As Warden of the University of Melbourne, Hearn plunged into the debate with the publication, in 1872, of a pamphlet entitled *Payments by Results in Primary Education*. In it he expressed his urgent desire simply

to inform people about what was apparently about to be forced upon them: a uniform and secular system of government schooling that severely limited choice, competition and diversity. Hearn wanted to slow down the trend of events and avoid such an extreme outcome. 'Before we have recourse to so sweeping and so hazardous a revolution in our educational system, it may be prudent to try some milder measures' (Hearn, 1872:3). He argued that, while it should certainly be assumed that the assistance of the state should be given to those parts of education that were secular, it should **not** be assumed that the authorities should prohibit other kinds of teaching in the same school. All requirements could be respected, Hearn insisted, by a marginal alteration in the existing administrative machinery. That machinery included the system of payments-by-results and the annual examination of schools for that purpose.

When each teacher had been paid at the appropriate rate for the number of his students who had passed the examination, the whole transaction between the state and the suppliers of education was completed. 'The State has got the article that it wanted, at the price that it chose to fix, and of the quality ascertained by its own officers' (1872:26). Hearn's point was that government intervention should stop right there. Like J. S. Mill (whom Hearn quotes with approval), the state is interested only in certain results and not in the method by which individuals get their education.

With the mode of production of that article, with the management of the school, or with the other subjects taught or omitted to be taught there, it has no concern. It wants primary instruction of a certain kind, and it has got it. If it does not get what it requires, no payment is demanded. All the difficulties that arise when the schools belong to the State are thus avoided. (1872:27)

Such an education policy would have the advantage of avoiding the large costs of bureaucracy involved in a full state system. 'There need be no boards, no regulations, no average attendances, no correspondence, no superannuation. The usual staff of inspectors with an accountant and a couple of clerks will suffice' (1872:27).

Hearn emphasised that in this manner the 'religious question' could be resolved at one stroke. Whether religious instruction was to be given or not would be left to the discretion of the parties, whoever they may be.

Those who wish for purely secular schools can have them. Those who wish for schools in which the special tenets of their particular creed are daily taught can have them. Those who desire unsectarian religious education can have it. Those who wish to co-operate with others of a different creed can do so. Those who do not desire such co-operation can stand apart. Those who like the management of a clergyman, and

those who like the management of a local committee, and those who like neither of the two, and prefer to be independent, can adopt each their own method. In all cases, and in every variety of arrangement, the State secures that which alone it desires, and pays only for what it actually gets. (1872:28)

The 'poverty question' could also be addressed. 'The poorer and less populous districts can be reached by reckoning each child that passes the examination, as two, three, or any higher number that the exigency of the case may require' (1872:29). As well, encouragement could be given, if it was deemed appropriate, for the study of higher level subjects. Meanwhile, the buildings of the vested schools could remain in government hands or be leased or sold.

In addition, Hearn included a provision similar to one contained in England's Education Act of 1880: a mandatory requirement for the publishing of information on examination results and the general inspection of individual schools.

Just as there were critics in England of the 19th-century results system, so there were in Australia. The common complaint was that if the assistance of the state was exclusively given to reading, writing and arithmetic, then little attention would be given to other subjects. In England Robert Lowe's adversaries Kay Shuttleworth and Mathew Arnold, together with the teachers' organisations, believed that this criticism argued conclusively for the entire abolition of the whole payments-by-results scheme. Hearn, in contrast, offered modifications that would, in his opinion, enable that system to solve a whole host of problems. His solution was as follows:

if we give due encouragement to every subject usually taught in schools, these subjects or some of them will be taught as the circumstances of each school require or permit. (1872:31)

Australia suffered the same chronic excess capacity of public schools as England. Parallel to the English local board schools were the schools that were described as being 'vested' in Australia's central Board. Hearn refers to a contemporary report by the Board of Education admitting that it had 150 vested schools too many. He continues:

These schools were brought into existence by the mischievous action of the then system of State aid, and are now maintained by a similar force. They continue because in fact they are endowed by the Board, and the Board feels that it cannot in justice withdraw that endowment. (1872:5)

Hearn went on to anticipate criticisms of his reformed payments-by-results plan to the effect that it would aggravate the existing excess supply of schools and that it would encourage incompetent teachers. His response was in the spirit of Adam Smith:

The reply to all these apprehensions is the same. The principle of competition would come into the operation, and would in this as in every case remove the bad and secure the good. We should then have in each locality according to its peculiar wants the right number of schools, of the right size, under the right management, and conducted by the best teachers. We should have all these things for the same reason that we have in any place enough and not more than enough of grocers' shops or of merchants' stores. (1872:32)

In retrospect it must be recognised that in 1872, even without Hearn's proposed modifications, the system of schooling was much more competitive than is the case today. The reason is that parental fees at that time contributed to almost a third of total outlays on education, whereas today, in contrast, they are zero (at least in public schools). The presence of such significant tuition charges did not discourage parents from paying them. The 10th Report of the Board of Education observed that there was 'very little fear that any considerable number of children remain uneducated' (quoted in Hearn, 1872:8).

Hearn also explained that alarm had also been expressed about the possible establishment of 'venture schools', i.e. schools undertaken by teachers in their own houses and on their own account. His response was equally forceful and consistent:

I think it very probable that many schools would spring up; but so far from regarding them with alarm, I think that they would be warmly welcomed. Education would then reach to many places where it never penetrated before. We should in this way place teaching on the same footing as the other open professions. A teacher who did not desire, or could not obtain, employment under a clergyman or under a local committee, could then, if he were competent, carry on his school. (1872:33)

The parallel Hearn was trying to draw between teachers and the professions again implies that teachers, like other professionals, should charge fees to their clients. Unfortunately for him, the political pressure to reduce fees and ultimately to make education 'free' was to succeed, as was also the pressure to abolish payment by results. In December 1872, the same year that Hearn's pamphlet was published, the Victorian parliament approved a Bill totally abolishing state aid to Church schools, setting up a Department of Public Instruction, and making education compulsory (Barcan, 1988:122).

At the end of his essay Hearn intimates that he was aware that he was swimming against the tide. 'I am not so sanguine as to anticipate any very speedy triumph for opinions which have nothing but their intrinsic merit, whatever that may be, to recommend them' (1872:36). He ends his work defiantly in the language of the classical economists and in a manner that seems

curiously prophetic to us in the late 20th century, living as we do in the new era of deregulation and privatisation:

Time however has cured and will doubtless yet cure evils worse than these; and after other systems have been tried and failed, as undoubtedly all forms of Government interference will sooner or later fail, some person will probably bethink himself of payments by results. And so I have cast these thoughts upon the waters, for I well know that, although after it may be many days, they will surely return — not perhaps to me, yet they will return. (1872:37)

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