
The Education

Monopoly

Problem

Edwin G. West

occasional papers

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S T U D I E S**

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Foreword

Michael James

Everyone agrees that education is a good thing. Most people agree that school-leavers should at least be literate and numerate, and that the present education system is failing to ensure this. But there the agreement ends. What is education for? By what standards should the performance of education systems be assessed? Which subjects (if any) should be included in a core curriculum, and which excluded? Various answers will be given by parents, students, teachers and politicians to these and other central questions about education.

This diversity of views is not in itself a problem. It's quite possible to supply education in the variety of shapes and sizes that we take for granted in the markets for, say, homes and holidays. The real problem is that most people are conscripted into a government-provided system of education that remains largely impervious to the opinions and preferences of the public it is supposed to serve. It does not even reflect those opinions and preferences indirectly through the political system, since politicians have long since abandoned educational policy-making to the bureaucrats, the teacher unions, and the advisory boards. Meanwhile, those in the front line of day-to-day education know the system has reached the end of the road: demoralised teachers look for other jobs, students treat their education with contempt, parents and employers are baffled by the ignorance and near-illiteracy that are widespread among young people.

In Australia, steps have recently been taken to introduce more choice and competition into the system and to publicise its outcomes. The State government of New South Wales has announced that its high schools will be dezoned and their students subjected to regular performance tests. Such moves are welcome, but their impact is likely to be limited by opposition from the educational vested interests. A more promising approach (because less easily sabotaged by educational producer interests) is suggested by the limited subsidy the Australian federal government pays to private schools. As Professor Edwin West observes in this stimulating paper given during visits to Australia and New Zealand in April 1989, the subsidy represents the beginnings of a fully competitive system of education, since, as under a full voucher

system, public funds follow the educational choices of individual families. The long-term trend away from state schools and towards private schools that is already evident in Australia suggests that many more families would take advantage of increased opportunities for choice if the subsidy was more visible (as it would be with a voucher system) and covered a greater proportion of the cost. And as Professor West notes, the generally greater efficiency of the private sector would act to reduce total educational costs as more families opted out of government schools.

The educational establishment, however, is likely to remain strongly opposed to increased competition in education. New Zealand recently rejected the education voucher, a decision explained by Maurice Gianotti and defended by Professor George Grace at Professor West's Wellington seminar. (These commentaries, and the more favourable one by Professor Lauchlan Chipman given at the Sydney seminar, are here reproduced in full, along with Professor West's response to them.) Even so, as Maurice Gianotti reports, the New Zealand task force 'felt that choice could ... be enhanced by reforming the zoning arrangements, which are at present clearly designed to suit the interests of the establishment rather than the community'. Whether or not the state continues to be the main supplier of education, pressure for more choice is likely to grow and to dominate educational policy debate in the 1990s. Professor West's advocacy of the voucher, based as it is on many years of research and reflection, should provide a major contribution to that debate.

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Edwin G. West is a member of the Economics Department of Carleton University, Ottawa. His main areas of interest include public finance, the economics of education, public choice, and the history of economic thought, particularly with respect to the work of Adam Smith. His latest writing on the latter subject appears as a chapter in William Thweatt (ed.), *Classical Political Economy: A Survey of Recent Literature*, Kluwer, 1988. Over the last two decades, Professor West has made several contributions to the literature on 'lower' as well as 'higher' education. He is the author (with Halldor Palsson) of 'Parental Choice of School Characteristics: Estimation Using State-Wide Data', *Economic Inquiry*, October 1988.

The Education Monopoly Problem

Edwin G. West

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

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

Provision of free education in government schools has been normal not only among the countries mentioned so far but also among most others. Less commonly recognised until recently has been the universal official practice of assigning students to the government school nearest their home. Lott (1987) finds this practice prevailing in all the countries in his survey, including the US, Britain, France, New Zealand, Sweden, Canada, Italy, South Korea and the USSR. Geographical assignment of students into strict neighbourhood zones means that schooling is organ-

ised on the basis of what economists call 'exclusive territories'. In other spheres (for instance, in retailing) this practice is typically condemned by trade practices watchdogs as monopoly behaviour. There appears to be no substantial reason why such criticism cannot be applied to government schooling. (Sophisticated current attempts to justify exclusive territories in government schooling are analysed and found wanting in West, 1989.)

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

Tax Deductions

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

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

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

Tax Credits

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

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

Among the US State proposals in the 1980s, that of Washington DC in 1981 was the most interesting. This offered a \$1200 maximum credit for each student to be used against DC income taxes. The unique feature of the bill was that the credit could be taken by any taxpayer. This means that a grandparent, for instance, could sponsor a student and have his or her tax reduced by the amount of educational expenses incurred up to a maximum of \$1200. Corporations could also support the education of as many students as they wished, subject again to the \$1200 ceiling for each student. But corporations could consume only up to 50 per cent of their DC corporate tax liability with such credits.

The authors of the DC proposal attempted their own solutions to the problem of getting financial assistance to parents who paid little or no income tax. Such families would be afforded assistance by third parties: relatives, for instance, would be able to earn tax credits for aiding a nephew, niece, grandson, and so on, who required such assistance. Other taxpayers who had no children, together with corporations, would be able to donate their credits to an organised charity such as the United Way. The organisation could then distribute the money among the requisite number of students, either directly or

indirectly. A taxpayer could also give to a school, which would distribute the money in the form of scholarships either directly or indirectly to the students. At first sight it may appear that under such a plan a single firm would attempt to profit by giving tax credits to its employees in lieu of a part of their wages. Other firms, however, could eventually match this kind of provision. Under full competition, workers would eventually enjoy the full value of the tax credit as a fringe benefit and without serious injury to their nominal pay.

Despite intense lobbying, none of these tax credit schemes has so far been successful politically. The federal tax credit proposal was opposed on the grounds that, at a time of large budget deficits, it would be too expensive. However, the argument was misinformed. It assumed that the tuition tax credit benefits would accrue only to those students who were in private schools. No account was taken of the fact that some students would migrate from the public to the private sector. Yet when this calculation is made, the picture changes dramatically. For instance, if a student, aided by the Reagan tax credit in 1983, had left public school for private school, he or she would have cost \$300 in tax credits but would have saved the combined government authorities the prevailing cost of education per student in the public sector. This cost was approximately \$3000. The authorities, therefore, stood to gain up to \$2700 per migrant from public to private school. It is true that if only one student had left a public school the costs would not have dropped by the full \$3000. Studies suggest, however, that several thousand students would have migrated, causing some public schools to close. In this case the full \$3000 per student **would** have been saved. I have estimated that migration beyond 1 per cent of the 1983 public school population would have caused net savings to taxpayers. Moreover, a reasonable prediction would have been a migration of well above 1 per cent (West, 1985:64; West & Martinello, 1988:432).

Four Types of Education Voucher

A better-known mechanism for stimulating choice and competition in education is the voucher system. This rests on the principle that a family should be free to use its tax money allotted to the education of its child in either a public or a private school of its choice. Although the idea can be traced at least as far back as Tom Paine's famous *The Rights of Man* published in 1791, its 20th-century revival began in earnest with a chapter outlining detailed proposals for vouchers in Milton Friedman's *Capitalism and Freedom* (1962). The idea is that the parent of a school-age child would receive a voucher of the same value as the present

average cost of educating that child in the public system. The voucher could then be spent at any accredited school and the education industry would compete for the consumers' demand for educational services. In Friedman's version, the voucher could be spent at accredited private schools as well as schools in the public system. Both types of school would charge tuition fees. Meanwhile parents who so desired could supplement the vouchers with their own 'add-on' contributions.

A second type of voucher is generally attributed to the work of Christopher Jencks and his colleagues at the Center for the Study of Public Policy (1970). This differs from Friedman's version in that it could not be supplemented with add-ons. Moreover, low-income groups and students with special needs would receive vouchers of a greater value than the basic one.

Two other voucher systems have been proposed that are amalgams of the Friedman and Jencks varieties. The third type would provide a voucher whose value depends both on parental income and on educational need, and could be supplemented by parents if they so wished. The fourth type is the same as Friedman's except that no add-ons would be allowed.

It can be argued that it is not absolutely necessary to supply vouchers as high as the value of the present average cost of a public education, as Friedman prescribes. Several studies in the economics literature have found that public supply of a variety of goods and services is costlier than a private supply. Such findings have been made, for instance, with respect to street maintenance, fire protection, the processing of medical claims, bus transport, and refuse collection. The latest and most authoritative work in this area is by Boardman & Vining (1989). Work by Sonstelie (1982) and West (1981) has demonstrated significant cost differentials with respect to public and private schooling in the US. If therefore a public education costs \$3000 on average and a private education only \$2000, the value of the voucher need be no more than \$2000.

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

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

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

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

Subsidies to Private Schools

Like tax credits, education vouchers have so far been the subject of discussion rather than action around the world. The widespread practice of subsidising private schools, however, usually amounts to the adoption of voucher systems in effect. Suppose the subsidy to private schools is a specific, as distinct from an *ad valorem*, grant so that the same ear-marked subsidy is allocated to every enrolled student. Notice first that the formal voucher and school subsidisation both require initial government screening of qualifying schools. Second, just as in the case of the formal voucher, under the subsidy program the parent triggers an incremental portion of the school grant by his/her decision to choose an independent school in preference both to other independent schools and to government schools. Government funds follow the child just as they do with the voucher. Moreover, the parent can often, in effect, make add-ons by paying any extras required by the chosen school.

This affinity between vouchers and 'public funding of private schools' means that they can be designed to have similar economic results. Consider an educational voucher worth \$2000. This would allow a family to purchase up to \$2000 worth of education at the (inspected) private school of its choice. Compare this with a general system of public funding of private schools. Suppose the funding is on the basis of \$2000 per student. A family decision to choose a particular school would trigger a mechanism directing \$2000 to the chosen school in the same way as a voucher of that value. In each case the school's income is a positive and constant function of its enrolment.

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

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

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

In Britain, the former Education Minister, Sir Keith Joseph, announced in 1982 that he would consider a voucher system only if it were possible to formulate a scheme which could deliver more benefits than were obtainable under the 1980 Act. He did not seem to realise that the Act itself contained, in effect, a limited voucher system, and one that could well be expanded. The legislation provides for what is called the Assisted Places Scheme 'to improve the access to good independent schools according to the number of selected poor children that they enrol'.

The present British voucher scheme can be criticised on equity grounds. The low-income children that currently benefit from the Assisted Places Scheme have to have exceptional achievement potential. But such children can expect an above-average lifetime income even in the absence of special financial help. Redistribution towards such fortunate individuals is away from others with lower expected lifetime incomes, since the latter are compelled to contribute taxes that finance the Assisted Places scheme. Its extension to a much larger number of low-income children, allowing them to enter independent schools suited to their ability, would, of course, promote much more

competition as well as equity.

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

Magnet Schools

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

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

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

magnet system by the constitutional separation between church and state.

Open Enrolment Plans

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

This plan is ostensibly intended to remove the exclusive territory principle explained above. It is now being attempted in Britain, Canada and the US. In Toronto the authorities have for some time claimed that there is open choice between government high schools. In practice, however, the most popular schools are soon declared full on the basis of obscure administrative criteria. In Britain, the Thatcher Government has recently imposed strong safeguards against bureaucratically-imposed quotas in schools. Schools enrolling fewer than a certain number must close down.

In the US, the State that has promoted the open enrolment concept most vigorously is Minnesota, where it is generating much interest and excitement. Minnesota has announced that up to \$4000 in State aid will follow each child who transfers from one public school to another. The authorities claim that the plan will force school districts to improve their performance or to close down for lack of funds. The Governor of Minnesota, Rudy Perpich, describes the system as an example of 'market forces at work' (*Newsweek*, 19 September 1988, p. 77). Apparently it is this version of open enrolment that has caught the attention of Presidents Reagan and Bush.

Open Enrolment as a Market System

The analogy between the latest Minnesota plan and market forces, however, contains six important inaccuracies that the Presidents' advisers seem to have overlooked. First, real markets work with the use of full or near-full pricing. But no explicit prices are to be introduced in the Minnesota plan since public schools must presumably remain 'free'. Second, although it is announced that funds up to \$4000 will move with each child, on average it is likely to be very much less. The public finance of schools is usually based on a foundation plan under which each district must make a minimum tax effort to qualify for State aid. A district that locally raises and spends more than the selected foundation

level will receive no subsidy. Several others that spend varying amounts less than the foundation level will be awarded subsidies based on the difference. In practice, therefore, the amount of funds that will move with each student in the Minnesota plan will vary and will typically be much less than \$4000. A likely average figure would probably be around \$1000. Since the average expenditure per student in public schools is around \$3500, this presents another contrast with a full market system, under which funds nearer the full cost of education would move with each child as it changed schools.

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

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

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

the consumer.

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

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

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

Many teachers in public schools become disenchanted, not just with inefficient managers, but also with inflexible union rules. Consider the failure of many US State legislatures to enact performance-related merit pay incentive programs because of the opposition of teacher

unions. Such outcomes bring the most frustration to the best teachers. School privatisation, in contrast, would automatically make salaries more flexible. Indeed, once a full education voucher was established, we could expect more teachers to begin managing and even renting or purchasing their own schools if they were still dissatisfied with their salaries and working conditions. Clearly, the Minnesota plan could not be expected to involve anything like this degree of change in the educational system.

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

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

Preserving the Public State School System

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

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

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

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

Obstacles to Competition in Education

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

efficient private alternatives.

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

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

The Way Forward in Minnesota

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

A key variable in the possible progress from quasi-competition to full market competition is the magnitude and management of the Minnesota State funds that will follow children from one school district to another. This could be managed by the receiving school announcing

a price for out-of-district students reflecting the expected average transfer funds. It would also be useful to channel these funds through the parents. In this way the public would see more clearly that the Minnesota open enrolment plan already amounts to a voucher system, though one that applies exclusively to public schools.

The Japanese Success Story

It is of supreme interest and importance that Japan, which has gone the furthest in subsidising private secondary schools, seems to be surpassing all other countries in terms of student achievement. The examination lead of Japanese over American students grows at an astonishing rate between the ages of 15 and 18. In Japan, school attendance for this age group is not compulsory. Yet some 94 per cent continue their education voluntarily. Japanese high schools are private and charge fees amounting on average to \$2400 or 60 per cent of cost, the remainder being covered by central government subsidies paid on a per capita enrolment basis. A subsidy of around 50 per cent of private school costs persuades between 40 and 50 per cent of urban parents to choose private schools (*The Economist*, 24 December 1988, p. 12). Loans are available from a government-supported scholarship foundation to help families meet the fees at both public and private schools.

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

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

Conclusions

It has been argued that the administered or pseudo market schemes like open enrolment that have received so much attention especially in the

US and Canada are ultimately an uncertain avenue for true competition, choice and equity in education. The voucher and private school subsidy systems are far superior in this respect. So far, Japan alone seems to have recognised this while other countries remain saddled with what they believe to be their 'one best system'.

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Commentary

Lauchlan Chipman

I am entirely in sympathy with Professor West's aim of improving mechanisms for consumer choice in education where the consumer is, in the early stages of education, the parent or the guardian, and, in the later stages and certainly at the tertiary level, the student. I would like to devote these comments to the issue of the resistance to full competition in education in Australia.

Dezoning

First of all, let us consider resistance to what Professor West calls 'open enrolment', and what in Australia is usually called 'dezoning'. Normally, students would attend the state school in their own area or 'zone', and only in exceptional circumstances would a request to attend a school in a different area be entertained. Recently, this practice of 'zoning' has been under attack. The original arguments for it were largely administrative: it made it easier to calculate the future demand for a particular school, and to plan appropriate buildings and staffing levels. Conversely, if dezoning were accompanied by higher levels of mobility among teachers and administrators, then the characters of schools could change quite quickly, leading to unpredictability, and constant and expensive 'catch-up' in relation to staffing and buildings. What we need

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to ask is whether the costs arising from dezoning — already being introduced in the State of New South Wales — are so much greater than those of zoning as to be a deterrent to moving in that direction.

Zoning is not merely anticompetitive. Another of its defects (one that I like to point out to the teacher unions, which tend to be politically radical but institutionally conservative) is that, since geographical zoning corresponds to socio-economic variations (especially in metropolitan areas), it creates a system of schools for the rich and schools for the poor. This is of course exactly what private schools are condemned for allegedly doing.

The main source of resistance to dezoning is the belief that open enrolment would lead schools with high numbers of disadvantaged students to lose their most advantaged ones, so that the better-endowed schools would gain and the worse-endowed schools would lose. However this is not a conclusive argument. In the first place, it betrays the terrible lack of imagination that stems from thinking within a closed system. It assumes that there would be no subsequent changes in the behaviour of the more enterprising and ambitious teachers and administrators. In practice, schools would devise ways of retaining and attracting the sort of students they wanted. Second, even if the differences between schools were accentuated by dezoning, why shouldn't a school that lost its best students strive to specialise in taking the most disadvantaged students and teaching them to a high standard of performance? Many teachers are motivated to work with the least promising children. That would of course require some flexibility in salaries to reflect the improvements they brought about. Just such flexibility is recommended in *Schools Renewal* (the 'Scott Report') released in draft form by the NSW Government in June 1989.

A final objection to open enrolment (which Professor West mentions) is that schools may be closed for what seem to be arbitrary administrative reasons. But there may be other reasons as well. For example, the movement of a large number of students to a certain school will eventually necessitate an investment program in that school. A lot depends on how the movement of enrolments is funded: whether at marginal cost or average cost, and whether the average cost includes a capital component. One of the problems is that a popular school will probably attract students from a large number of other schools, each of which may lose only a few students. If this happens it's not possible to fund expansion of the popular school by shutting down parts of the others. So although I favour dezoning, I recognise that there are administrative difficulties that need to be resolved.

The Full Voucher System

Why the resistance in Australia to the full voucher system? Here we have to emphasise the fact, mentioned by Professor West, that Australia has a limited voucher scheme in the form of government subsidies to private schools.

One reason commonly offered for opposing the voucher scheme (in addition to those cited by Professor West) is that parents aren't equally good consumers: some would be taken in by the educational equivalent of junk food if they were allowed to choose where to spend their children's educational dollars. Professor West addresses this problem by insisting that there would have to be an administrative threshold, and this might include the proposition that schools would have to be certified by governments. In my view, that approach is not sufficiently competitive; governments are not especially qualified to certify schools. There were press reports recently of one school that was allegedly denied full reregistration by the NSW State government until it increased the number of hours the boys devoted to learning dance. Ideally, just as there could be an independent examining authority to compete with the Higher School Certificate, so there could be at least one independent accrediting authority to compete with the state's.

Another obstacle to acceptance of the full voucher system is the fear that some schools may be choosy about the students they admit, to the disadvantage of unpromising students. This once again reveals a lack of imagination about how teachers could respond under a new system. Medical doctors may stake their reputations on their ability to cure the very sick. Equally, surely some teachers would respond to the challenge of teaching students rejected by other teachers and bringing them up to high standards of achievement. Some schools would emerge to make this approach their *forte*.

Incidentally, the assumption that private schools are choosy is largely false. It has never been true of the Catholic systems, by and large. And some independent non-Catholic schools (e.g. Frensham in New South Wales) pride themselves on their comprehensive enrolments, from which they then go on to produce far superior HSC cohorts than do the state high schools with identical enrolment bases.

Commentary

Gerald Grace

In the brief period allotted to me for this response I would like to divide my remarks into four sections:

To give a summary account of Professor West's arguments for mechanisms such as tax credits, voucher schemes and subsidies to private schools as his preferred means for maximising citizens' choices in schooling.¹

To examine the empirical evidence available to test the extent to which these ideas have been taken up in the education policies of societies across the world.

To address the question: why have ideas such as tax credits and educational vouchers been so **unsuccessful** in gaining educational, political or social support across the world?

To address the question: what are the alternatives, particularly for the New Zealand educational system at the level of schooling?

Professor West's Case: A Summary Account

The case for a system of tax credits or education vouchers is based upon the premise that this is the best way to maximise parental choice and to improve the efficiency of the education system. The argument is that the use of these devices enables the full effect of market forces and the full influence of total competition to be felt in the education sector to the benefit of parents, students and the whole society. The use of these devices, it is argued, would have a number of consequences:

- it would empower the parents and dignify them with a concept

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of real choice in schooling;

- it would involve a transference of a sector of students from public or state schools to private schools;
- it would result in the closure of some schools as a result of 'bankruptcy' in a free market for education, on the grounds that such schools had been shown to be inefficient;
- it would reduce overall expenditures in education by basing the value of education vouchers not on the inflated costs of public schooling but upon the lower costs of private schooling.² (Professor West here cites his own research as establishing these cost differentials, at least within the USA.)

As Professor West points out, some of these ideas have a pedigree back to Tom Paine's *The Rights of Man* (1791) (West, 1967) and, in more modern forms, an ideological origin in Milton Friedman's *Capitalism and Freedom* (1962). In other words, these notions have had a relatively long period of advocacy and Professor West, with Milton Friedman and others, has been tireless in the presentation of these ideas across the world.

However, if theoretical or ideological advocacy is separated from the objective empirical evidence about educational vouchers the situation is not as clear-cut as it might first appear. In short, theoretical and ideological advocacy appears strong, while the state of empirical evidence appears weak.

The Evidence

What is the empirical evidence available to evaluate Professor West's claim that a system of tax credits or of education vouchers is 'a superior instrument' for education policy?

The evidence on tax credits. Professor West reports that 'Despite intense lobbying, none of these tax credit schemes has so far been successful politically' (p.4). He reports also that the main objection has been that the proposals would be too expensive to implement. Professor West believes that such arguments are misinformed and that the costs have been overestimated. His argument here is that politicians and educational decision-makers overlooked the possibility that savings would be made in the public sector as 'several thousand students would have migrated [to the private sector], causing some public

schools to close' (p.4).

There are at least two other ways of interpreting this evidence: first, that the cost of implementing a tax credit scheme **is** very expensive and that the Reagan government, receiving the advice of its financial analysts, decided for good reasons not to proceed with it; and second, that understanding that one of the effects of such a scheme would be to cause a movement of students from the public sector to the private sector, with the consequent closure of some public schools, the Reagan government decided for reasons of social and community policy not to proceed with the scheme, i.e. the social and community costs were too high.

The evidence on direct voucher schemes. Professor West reports that despite a period of advocacy which dates at least from 1962 'education vouchers have so far been the subject of discussion rather than action around the world' (p.6). Nor does he produce any evidence in his paper that **any** of the other direct voucher schemes that he defines have been implemented on any significant scale in any educational system across the world, such that a body of reliable opinion or research evidence exists upon which an objective judgment could be made.

In other words, the idea of educational vouchers has been (so to speak) 'for sale' since 1962 and no one appears to have bought it.

The evidence on indirect voucher schemes. Professor West would obviously want to resist that latter argument and to say that while there are no very significant examples of direct voucher systems that have been evaluated, there are many examples of indirect voucher systems. Indeed, he argues that 'the widespread practice of subsidising private schools . . . usually amounts to the adoption of voucher systems in effect' (p.6). He goes on to say that 'Australia, Britain and Canada provide limited subsidies to private schools' (p.7).

There are a number of responses to be made to this argument. The first is that to describe the various forms of subsidy to private schools in various states as indirect vouchers is tendentious and contestable, because such subsidies are based upon different principles.

Many of these schemes involve direct grant relationships **between institutional systems**, i.e. between the central government education ministry and either a system of private schooling (as with church schooling) or with the private school itself as an institution. In general they do **not** involve the central concept of the voucher, i.e. the giving of vouchers directly to parents to be traded in at will.

Many subsidy schemes to private school systems involve political understandings between church and state, and have been arrived at on a very different historical and political basis from that which character-

ises a voucher scheme.

Many subsidy schemes to private school systems involve controls on right of entry to a school which are a function of some selective entrance test or of membership of a particular religious denomination. They are not, therefore, effective examples of the sort of general empowering that a voucher scheme claims to offer, and do not equate with the equity arguments that have sometimes been used to support the voucher case.

In short, Professor West, having failed to produce a convincing body of evidence in support of direct education vouchers, has been forced to reconstitute his case in terms of indirect vouchers. I believe that this second case will not stand up either to conceptual analysis or to empirical investigation.

Evidence from England. Perhaps the most telling single piece of evidence against Professor West's case for vouchers can be found in England, where the power of market forces has been given strong political expression under Mrs Thatcher since 1979. The Education Reform Act 1988, the most radical reconstruction of England's education since 1944, has not introduced a direct education voucher system to expand choice and competition in schooling. It has relied, instead, on other state-mediated devices and upon a policy of more active parental involvement in the processes of state schooling (Maclure, 1988).

What may be concluded from the evidence? Reviewing the evidence overall it is impossible to escape the conclusion that the case for vouchers continues to rest only on committed advocacy (some would say doctrinaire advocacy) rather than upon an objective foundation of research studies and of impartial scholarship.³

Why Has Committed Advocacy of Vouchers Since 1962 Been So Unsuccessful?

It seems to me that the case has been unsuccessful for at least four reasons: it has failed to convince on educational and social grounds; it has failed to convince on administrative, financial and logistical grounds; it has failed to convince on equity grounds; and it has failed to convince on political grounds.

Educational and social grounds. The fundamental weakness of direct voucher is that they are premised on a view of education that recognises only a relation to individuals (who are referred to as consumers) and a view of education that sees it as a commodity in the marketplace on offer to individual consumers (for a criticism of this view see Grace, 1988). This view completely excludes the social and commu-

nity functions of education. A school is not simply a centre for the generation of individual achievement (although that is part of its function). Its services are there to enliven and enrich community life and the sense of community in society. In many communities in New Zealand, the school (given the continued decline of the influence of churches) is the actual or potential centre of any possible sense of community.

Professor West talks of public schools 'going bankrupt' and of public schools closing down as one of the consequences of direct voucher schemes. The social and communal costs of this would be considerable, and the social and cultural life of whole communities would be impoverished by such closures. As Snook (1987:29) puts it, 'Voucher systems accentuate the individualistic and meritocratic function of schools. But schools have historically attempted to perform also a function of social cohesion'. The educational approach, as opposed to the free market approach, is not to close down a major community resource but to find the means, if that is necessary, to make it more effective. This is what New Zealand has committed itself to in the policy of greater parental and community involvement signalled in *Tomorrow's Schools* (Lange, 1988).

Administrative, financial and logistical grounds. In a careful review of these issues, Dr Jonathan Boston, a member of the Public Policy Group at Victoria University of Wellington, observes that 'the transaction costs (i.e. the costs of monitoring, negotiating, enforcement, etc.) associated with a largely free-market education system based on state-funded vouchers may be higher than under a system based largely on state provision' (Boston, 1988:9). Limited feasibility studies of the use of vouchers, for example in the county of Kent in England (see Kent County Council, 1978) have confirmed that diagnosis. Both Sir Keith Joseph and the present UK Secretary of State for Education, Kenneth Baker, have **not** proceeded with proposals for voucher schemes because they have been advised that the transaction and administrative costs of a direct voucher scheme would be considerable. Evidence for the county of Kent was noted in coming to that decision.⁴

In other words, what voucher schemes entail is the prospect of a considerable diversion of funds away from in-school educational activity (the main purpose of an education budget) and into a bureaucratic and administrative apparatus to regulate vouchers. In terms of the principles of a free market economic approach this encouragement to bureaucracy is a major contradiction to say the least.

Equity grounds. There are no grounds for believing that the introduction of vouchers would improve equity in education and there is no significant research that shows that they do. The likelihood is that

vouchers would produce a situation of greater inequity. Insofar as vouchers cause a flow away from public schools and a growth of private schools, they are likely to exacerbate differences in educational opportunity, which have their basis in differential wealth and income. The educational consequences of encouraging parents to abandon the public school rather than to work collectively for its improvement and enhancement would be serious. The expected result in my view would be a greater polarisation of society along the lines of class or socio-economic status (see Levin, 1980).

In a review of voucher systems, Professor Ivan Snook, of Massey University's Department of Education, noted that in the US, 'Despite massive financial inducements, all districts, even very poor ones (except Alum Rock) rejected a voucher system. Massive publicity campaigns failed everywhere to convince a majority that a voucher system would be in the interests of their children' (Snook, 1987:32). I would argue that American parents rejected vouchers because they could see their flaws in educational, community and equity terms.

Political grounds. It comes as no surprise, therefore, that governments across the world, even those who are favourable to the free play of market forces in the economy, have not implemented voucher schemes in education. Governments have recognised the many educational, social, community, financial, administrative and equity difficulties entailed in the notion of vouchers, and they have decided that it is not a credible political option. I think that this is a wise political judgment and it is interesting to note that it is one that has been made across a wide political spectrum.⁵

What are the Options for New Zealand?

New Zealand has chosen a superior course for education policy. In *Tomorrow's Schools* it has committed itself to greater community involvement in the life and operations of public schools. It has committed itself to a principle of partnership between parents, the community, the teachers and the state in working out the most effective means of providing educational services through a stronger concept of the community school. The intention of this change is to try to provide an educational experience within each community that will satisfy the expectations of the great majority of parents, and will empower them and the community.

Those who, despite this process, cannot find satisfaction in what is offered in the local school have the options of looking elsewhere through more 'open enrolment' schemes; of seeking a particular form of

religious education for their children; and of seeking a particular form of cultural education for their children as in Kaupapa Maori schools. There is more choice within the public and integrated system of schooling than its critics are prepared to acknowledge. All this flexibility and potential for parental choice is realisable within the present reforms in New Zealand without recourse to the cumbersome and problematic device of vouchers.

New Zealand has committed itself to finding the **community** answer and the **partnership** answer to issues of greater parental choice in schooling. The community answer fits very well with the historical and cultural traditions of both Pakeha and Maori, and the partnership fits well with the principles of the Treaty of Waitangi. In this educational and cultural context, educational vouchers are an irrelevance.

Notes

1. Professor West's paper addresses arguments for greater parental choice and the use of tax credits or voucher schemes to facilitate this in the context of primary and secondary schooling. This response follows the same lines. The question of vouchers in tertiary or higher education is not addressed here.
2. This assertion is open to question. Boston (1988:17) notes: 'As to the claim that private schools are more cost-effective, the evidence is conflicting. Certainly in some countries this appears to be the case. The reason lies partly in the fact that many teachers in private schools (especially Catholic schools) are paid less than their colleagues in public schools and partly in the fact that some private schools have larger classes (or fewer subject options).'
3. See also the judgments of Atkinson (1983:102), 'Whilst there has been considerable argument about vouchers there has been very little empirical testing of the ideas'; Snook (1987:25), 'The conclusion is reached that at present the voucher system is a slogan with political and emotional appeal but no substance'; Boston (1988:10), 'Unfortunately, there is little empirical evidence to provide guidance for policy makers'.

4. See Atkinson (1983:103-5), who quotes the conclusion of the Kent Feasibility Study as saying: 'The general impression that emerges from responses to this inquiry is that choice of schools is seen as vital by parents but that vouchers would not necessarily be the only or the most satisfactory means of achieving it.'
5. To suggest, as Professor West does, that the vested interests of teachers and educationists have prevented implementation of voucher schemes across the world strains credibility. Neither the Reagan Government nor the Thatcher Government can be charged with cowardice in the face of education interest groups.

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Comments on the Picot Task Force

Maurice Gianotti

I spent the last eight months of my life on the Task Force in New Zealand to review education administration (chaired by Brian Picot). My intention is to talk briefly about the approach of the Task Force, and to explain why it did not advocate vouchers.

The members of the Task Force were guided by several core values. The first of those values was **choice**. Why then, you may ask, did they not recommend vouchers? This particularly when you recall that when the Task Force started its work in July/August 1987 one of our political parties had adopted a policy of implementing a voucher system, at least at tertiary level.

Moreover, not only did the Task Force never address the voucher issue, but they never stated why. While they did look very closely at the voucher idea, and read and talked about it, and even initially wrote a chapter on it for their report, somewhere along the line they decided not to comment on voucher systems. They put the matter to one side.

Arguments Against a Voucher System

There are several possible reasons why the Task Force decided against recommending vouchers. In the first place, they were struck by the geography of New Zealand. In many towns there is only one school, or at least only one secondary school, so that for many people the possibility of exercising choice was not going to be very real. Even where there may have been more than one school, effective choice was limited by

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distance and transport problems. This limited the prospects of a voucher scheme.

Much more important, however, was their view, with which Professor Grace agrees, that education was not a commodity to be bought and sold on the basis of individual preference, but was rather an interactive process. By that they meant that each school was different, its identity defined by the actual children, parents and community associated with it. In that sense, education doesn't have the attributes of a commodity.

The Task Force also concluded that some schools would inevitably be more popular than others; and at schools where there were more people wanting to enrol than there were places, the choice would then be transferred from the consumers to the managers of the school. Of course, that would be only a temporary problem, since if it continued for any length of time, other individuals would enter the market and set up new schools. But insofar as it existed at all, this problem would, despite the voucher, locate choice with the provider rather than the consumer.

The Task Force also felt that education was potentially a force for social integration, but would not be so while each parent was thinking only of what was best for his or her **own** children. If parents and communities were involved in governing and managing schools, the question would become: what education do **we** want for **our** children? In the view of the Task Force, this would be a healthier and more socially-integrated approach.

It was felt, therefore, that given New Zealand's circumstances, it was better to give parents and the community scope for changing their local schools into what they wanted them to be, rather than to encourage them to shop around in a market for education.

The Task Force's Recommendations

How did the Task Force propose to accomplish that?

The Force was struck by the feeling of powerlessness in the community — among parents, students, and to some extent, teachers. They felt that the balance of power in education had shifted rather too much towards the establishment, or the providers of education, and too much away from the community, or the consumers of education. A problem that came up several times was that of the present zoning arrangements and the priority rights scheme when rolls fall and teachers have a right to a job in another school. The Task Force felt that zoning arrangements were a particularly clear example of the system tending to favour the providers at the expense of parents and students.

So they decided that some balancing was needed in that power

relationship. They decided that the way to restore that balance was to give local communities more power, more control over what actually went on in the school: to let them have a real say in what kind of education was to be provided and how it was to be provided.

The Task Force has been criticised by some for recommending a very centralised system, and by others for recommending a very decentralised one. In reality, they have recommended a bit of both: in some ways, their proposed system is more centralised, in others more decentralised. But they themselves didn't see it in those terms. They agreed that some decisions, to do with, for example, the provision of buildings, had to be made centrally. But most decisions could and should be made at the local level. In this way the principle of choice could be satisfied. However, to ensure that there would still be a national system, and one that could be recognised as such, especially in a country where people move around a good deal, the Task Force proposed a national curriculum and a review and audit agency.

In a specific example the Task Force felt that choice could also be enhanced by reforming the zoning arrangements, which are at present clearly designed to suit the interests of the establishment rather than the community. Their effect is to spread the available children among the available schools, regardless of the quality of the education provided; so that the popularity of schools tends to rise and fall over time with the quality of their product (which in my experience reflects the leadership quality of the principal). Ten or 15 years ago in one of our Southern cities, for example, when the single-sex boys high and the girls high were popular, the governors of those schools were reluctant to get involved in zoning discussions; they preferred a free enrolment system, since they would clearly benefit from such a thing. Meanwhile, the two co-educational high schools needed a zoning system to keep sufficient enrolments. Recently, this has changed: now the co-ed schools are very popular, and have rather less interest in zoning, while the single-sex high schools are very keen on zoning arrangements.

The Task Force finally decided to recommend one further measure to promote choice, in addition to giving parents and the community the right to become involved in school management and the right to send their children to whichever school they liked. This measure was the withdrawal clause. If a group of parents of at least 21 children wanted something in the way of education for their children that was within the national curriculum, but no school was willing to provide it, then those parents would have the right to set up their own school with government funds. The beauty of the withdrawal clause is that it will hardly ever have to be invoked. Especially at a time of falling rolls, schools will

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be doing everything they can to maintain enrolments. And governments are hardly going to set up new schools for withdrawing parents when there are empty classrooms in existing schools.

Response

Edwin West

Professor Chipman raises several questions, but answers them himself in a way that I approve of. So there's little for me to respond to in what he said. But I'd like to comment on the argument that disadvantaged parents would be left behind in a more competitive education system. If they are disadvantaged because they are not good choosers, that's because they have been denied opportunities for exercising choice. Given the experience of choice, they would become better choosers. And it's the presently disadvantaged students who stand to gain the most from choice. As Professor Chipman notes, the public school system is far from homogeneous: it includes nice middle-class schools and inner-city ghetto schools.

As for the idea that people can't be trusted to make rational choices, this has several philosophical implications. It amounts to saying that there are individuals with defective judgment. John Stuart Mill said the same thing. Yet he also favoured extending the suffrage to the general public. Isn't there a contradiction here? If people suffer from defective judgment, should they be allowed to choose the politicians who are going to make decisions about public education? If you believe people can't be trusted to make choices, shouldn't you argue that they should be disfranchised?

I turn now to Professor Grace's comments. Professor Grace says that the case for the voucher is not proved because the scheme has so far not been accepted. I've never been very surprised by that. The decision to introduce a voucher system would be a political one involving special interest groups and teacher associations whose costs of political organisation are substantially lower than those facing geographically dispersed consumers. Throughout the Western countries these supply interests oppose the voucher system to a man and Professor Grace could be mistaken for a typical spokesman. They don't want their

monopoly breached; which is hardly surprising. I noted in my paper that New Zealand provided subsidies to private schools before 1877. It would be interesting to consider how Professor Grace would have responded in 1877 to the proposed system of compulsory, secular and free education. Would he then have opposed it on the grounds that the case for it hadn't been established since it had never been adopted?

As for the costs of the voucher system, Professor Grace mentions the possibility that the transaction costs may be higher than those associated with the present system. I do not see why. Administratively the scheme involves the simplest of operations. Professor Grace's references to transaction costs, meanwhile, do not constitute the 'hard evidence' he demands in other contexts. Rather, they appear to be assertions of members of the present monopoly establishment who have something to lose. In any case, I mentioned in my paper that there is no need to value the voucher at the full cost of public schooling. On that basis, the movement of students from public to private schools could represent a substantial saving. The voucher scheme also brings benefits that can't be quantified but are relevant to the choices made by parents. Even in the (unlikely) case that the costs of a voucher scheme are higher than current costs, this does not dispose of the argument. The increment of benefits may be higher still.

The assertion that education should not be treated as a commodity is always part of the rhetoric in debates on choice in education. In fact, I regard education as a service; and many other services are provided privately, such as health care and various kinds of specialist teaching, in music and drama for example. So I don't see the force of the analogy. I would also challenge the claim that the social function of education is neglected in a free market system. Private schools provide a social or community service; and the Catholic school system is subsidised in recognition of its social and religious function. The idea that the public schools contain a social mix — individuals from all walks of life — is a myth. Public schools are segregated along various lines such as income, housing, and ethnic origins so that they end up doing the opposite of what is claimed.

Considering again Professor Grace's desire for evidence, it is astonishing that he can claim *a priori* that vouchers would 'exacerbate differences in educational opportunity, which have their basis in differential of wealth and income'(p.25). This assertion completely ignores the evidence of the US Education Department's survey of 1984 that I referred to in my paper, which indicates that the greatest inclination to take advantage of a voucher-type reform was found among nonwhite and lower-income parents. Government-provided 'free' education

creates inequalities because of residential stratification which typically provides lower-status families with the worst of the pickings in the school system. It is, indeed, the public system that 'exacerbates differences in educational opportunity', to use Professor Grace's words. And this situation exists also in New Zealand judging by the Picot Task Force's belief that current zoning arrangements 'spread the available children among the available schools, **regardless of the quality of the education provided**' (Maurice Gianotti, p.30; emphasis added). Vouchers would liberate low-income families from the worst-quality provisions. For a long time members of the middle and upper income classes have conned the poor into subsidising them on a grand scale, and yet, to quote Milton and Rose Friedman once more, 'we not only have no decent shame, we boast to the treetops of our selflessness and public-spiritedness' (*Free to Choose*, p. 183).

I was interested to learn from Maurice Gianotti that the Picot Task Force agreed that zoning was a problem and militated against private choice. I'm still not satisfied that they have solved this. The proposed system of allowing parents to withdraw from existing schools and to set up new ones with government help is similar to proposals in the British Education Act of 1988. It could lead to a kind of private cooperative school system run by parents. A reservation I have about it is that the average parent is not necessarily the best manager. Most parents don't want the chore of having to run their own schools, to attend Parent Teacher Association meetings, and so on. There is a danger that, if and when parents make mistakes, governments will intervene and take over again, so producing a government monopoly that is even more entrenched than the present one.

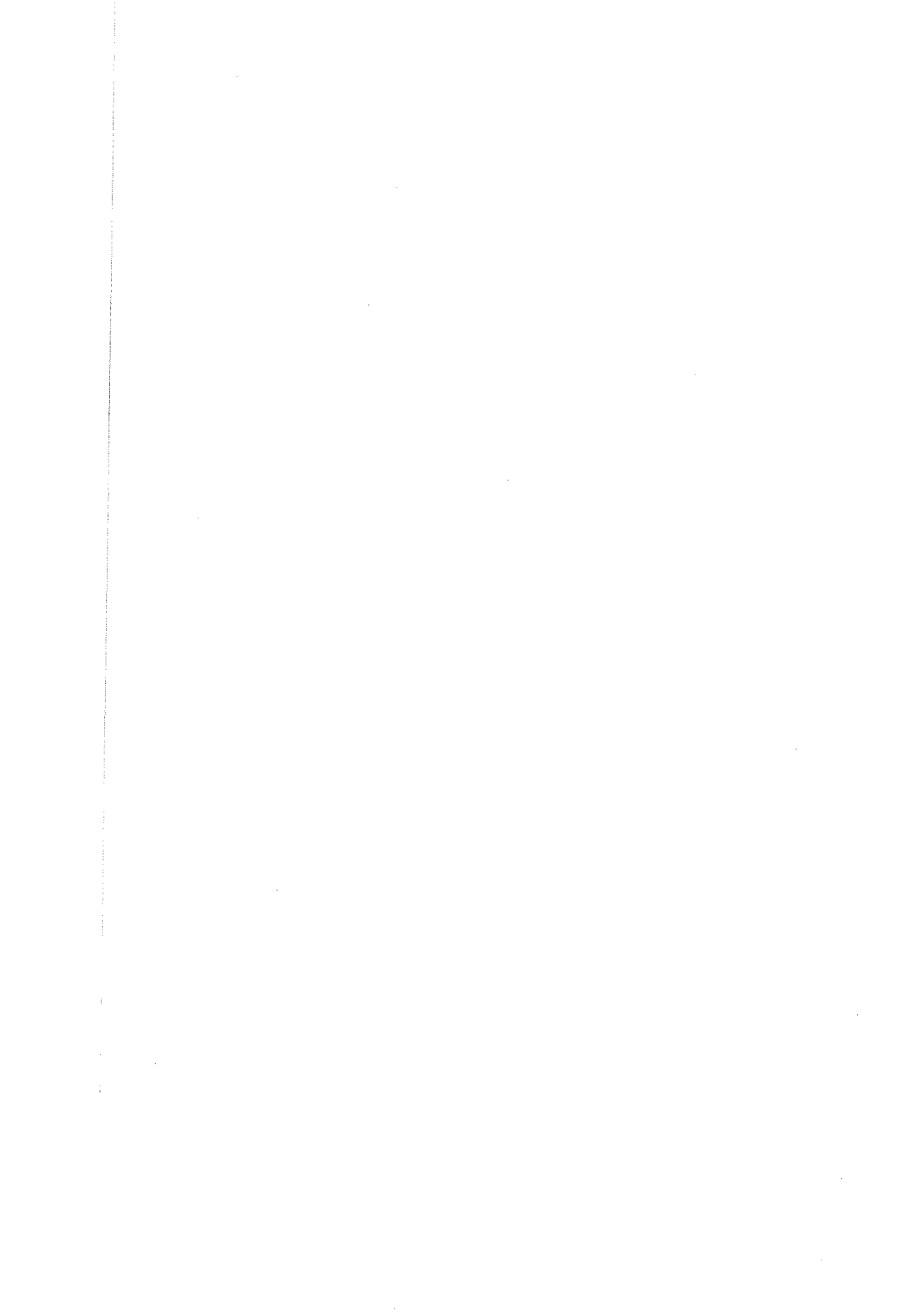
Finally, a basic principle of education is to protect children; and there is naturally a popular and wise demand for a constitution that protects children from parental abuse, malnutrition, lack of clothing and shelter, and ignorance. Children are protected from all but the last, however, by legal prohibitions on child abuse and so on. I have always been curious as to why we came to treat education differently. It is surely just as important to feed a child properly as to educate him. Yet no one would dream of feeding children through mechanisms similar to those we use to educate them. Can we imagine laws for compulsory and 'free' feeding at the nearest municipal kitchens?

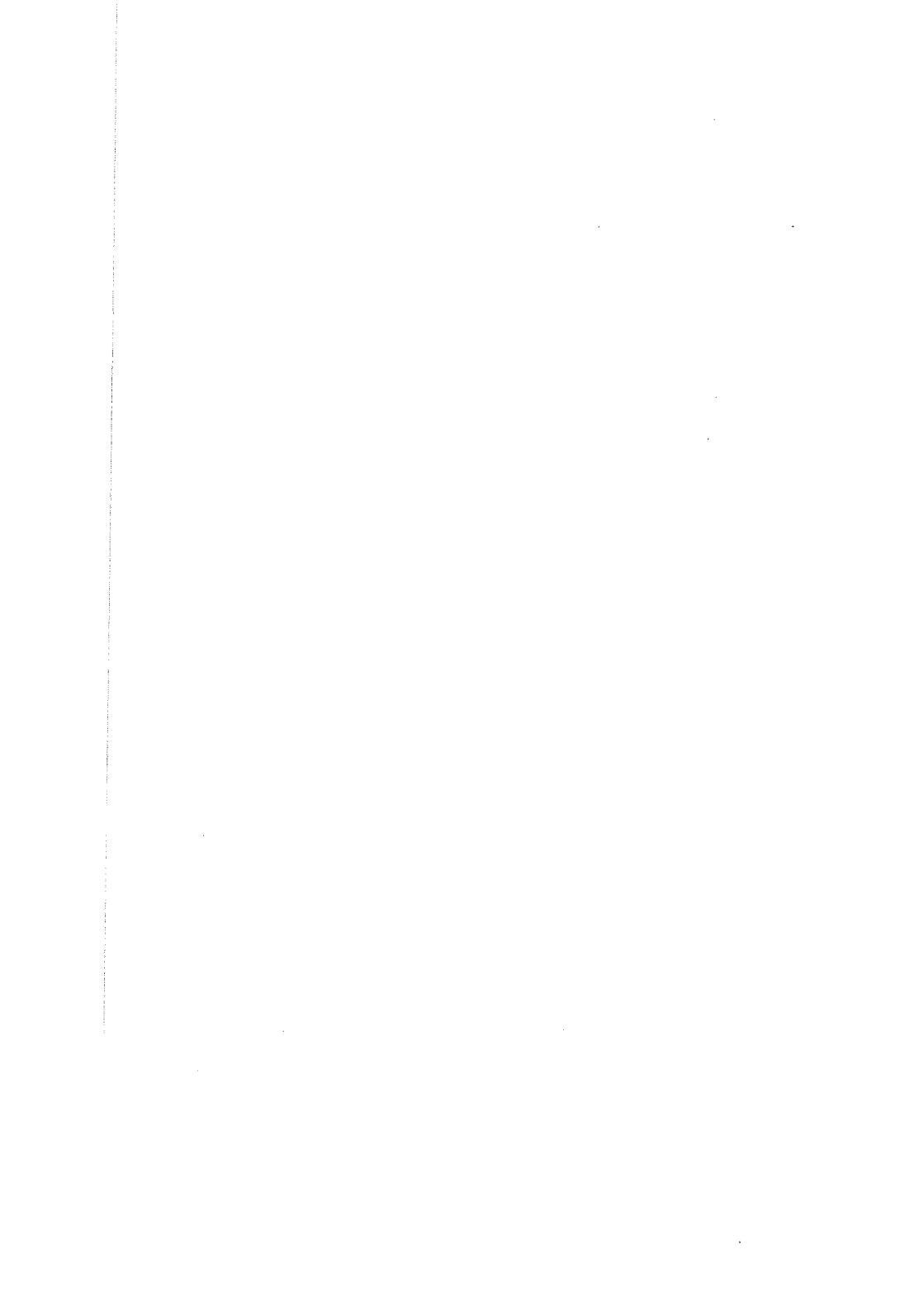
Granted that children need protection against ignorance, how efficiently are they obtaining it from public education? Professor Grace merely **assumes** that the poor are obtaining the best possible education in the present system. But in view of the importance he attaches to evidence, it is paradoxical that nowhere does he refer to facts about per-

formance trends in government schools throughout Australasia. For all its faults the US does not appear inhibited when called upon to furnish such details about its own institutions. In 1983, for instance, the US Commission on Excellence candidly reported that 13 per cent of 17-year-olds leaving public schools were functionally illiterate. In the absence of corresponding evidence for Australia and New Zealand, average taxpayers therein may be forgiven for suspecting a cover-up. Interestingly enough, my own attempt to obtain relevant information in Australia resulted in the discovery that measures of literacy trends there have been discouraged for some time because of opposition by the teacher unions!

Such a situation bespeaks a closed and inward-looking system. It is pertinent too that none of the commentators seems to want to refer to my report on the outstanding educational successes of Japan. If the US is not afraid to seek objective comparisons with that country, is it not time that Australasia, which is much closer geographically, begins to do the same?







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The Education Monopoly Problem

Edwin G. West

Professor Edwin West has for many years been a leading authority on, and advocate of, choice and competition in education. In this Occasional Paper, he explores the various mechanisms that have evolved in several countries for enhancing choice both within state school systems and between state and private schools. His own preference is for the educational voucher system, and he notes that the subsidies paid by the Australian federal government to private schools represents a limited de facto voucher scheme. He also links Japan's strikingly successful education system to the high level of subsidy paid to private schools, which are chosen by nearly half the urban population.

This publication also includes the commentaries, both critical and favourable, on Professor West's paper given at seminars in Sydney and Wellington in April 1989, along with his response to them. Whether or not Professor West's advocacy of the voucher system is successful, it will play a major role in the coming debate in Australia and New Zealand on how to inject more choice and competition into the education system.

Edwin G. West is a member of the Economics Department of Carleton University, Ottawa. His main areas of interest include public finance, the economics of education, public choice, and the history of economic thought, particularly with respect to the work of Adam Smith. Over the last two decades, Professor West has made several contributions to the literature on 'lower' as well as 'higher' education.