

What's Wrong with Our Schools?

Education has always been a major component of the American Dream. In Puritan New England, schools were quickly established, first as an adjunct of the church, later taken over by secular authorities. After the opening of the Erie Canal, the farmers who left the rocky hills of New England for the fertile plains of the Middle West established schools wherever they went, not only primary and secondary schools, but also seminaries and colleges. Many of the immigrants who streamed over the Atlantic in the second half of the nineteenth century had a thirst for education. They eagerly seized the opportunities available to them in the metropolises and large cities where they mostly settled.

At first, schools were private and attendance strictly voluntary. Increasingly, government came to play a larger role, first by contributing to financial support, later by establishing and administering government schools. The first compulsory attendance law was enacted by Massachusetts in 1852, but attendance did not become compulsory in all states until 1918. Government control was primarily local until well into the twentieth century. The neighborhood school, and control by the local school board, was the rule. Then a so-called reform movement got under way, particularly in the big cities, sparked by the wide differences in the ethnic and social composition of different school districts and by the belief that professional educators should play a larger role. That movement gained additional ground in the 1930s along with the general tendency toward both expansion and centralization of government.

We have always been proud, and with good reason, of the widespread availability of schooling to all and the role that public schooling has played in fostering the assimilation of newcomers into our society, preventing fragmentation and divisiveness, and

enabling people from different cultural and religious backgrounds to live together in harmony.

Unfortunately, in recent years our educational record has become tarnished. Parents complain about the declining quality of the schooling their children receive. Many are even more disturbed about the dangers to their children's physical well-being. Teachers complain that the atmosphere in which they are required to teach is often not conducive to learning. Increasing numbers of teachers are fearful about their physical safety, even in the classroom. Taxpayers complain about growing costs. Hardly anyone maintains that our schools are giving the children the tools they need to meet the problems of life. Instead of fostering assimilation and harmony, our schools are increasingly a source of the very fragmentation that they earlier did so much to prevent.

At the elementary and secondary level, the quality of schooling varies tremendously: outstanding in some wealthy suburbs of major metropolises, excellent or reasonably satisfactory in many small towns and rural areas, incredibly bad in the inner cities of major metropolises.

"The education, or rather the uneducation, of black children from low income families is undoubtedly the greatest disaster area in public education and its most devastating failure. This is doubly tragic for it has always been the official ethic of public schooling that it was the poor and the oppressed who were its greatest beneficiaries."

Public education is, we fear, suffering from the same malady as are so many of the programs discussed in the preceding and subsequent chapters. More than four decades ago Walter Lippmann diagnosed it as "the sickness of an over-governed society," the change from "the older faith . . . that the exercise of unlimited power by men with limited minds and self-regarding prejudices is soon oppressive, reactionary, and corrupt, . . . that the very condition of progress was the limitation of power to the capacity and the virtue of rulers" to the newer faith "that there are no limits to man's capacity to govern others and that, therefore, no limitations ought to be imposed upon government." ²

For schooling, this sickness has taken the form of denying many parents control over the kind of schooling their children receive

either directly, through choosing and paying for the schools their children attend, or indirectly, through local political activity. Power has instead gravitated to professional educators. The sickness has been aggravated by increasing centralization and bureaucratization of schools, especially in the big cities.

Private market arrangements have played a greater role at the college and university level than at the elementary and secondary level. But this sector has not been immune from the sickness of an overgoverned society. In 1928 fewer students were enrolled in government institutions of higher education than in private institutions; by 1978 close to four times as many were. Direct government financing grew less rapidly than government operation because of tuition charges paid by students, but even so, by 1978 direct government grants accounted for more than half of the total expenditures on higher education by all institutions, government and private.

The increased role of government has had many of the same adverse effects on higher education as on elementary and secondary education. It has fostered an atmosphere that both dedicated teachers and serious students often find inimical to learning.

ELEMENTARY AND SECONDARY EDUCATION: THE PROBLEM

Even in the earliest years of the Republic, not only the cities but almost every town and village and most rural districts had schools. In many states or localities, the maintenance of a "common school" was mandated by law. But the schools were mostly privately financed by fees paid by the parents. Some supplementary finance was generally also available from the local, county, or state government, both to pay fees for children whose parents were regarded as unable to do so and to supplement fees paid by parents. Though schooling was neither compulsory nor free, it was practically universal (slaves, of course, excepted). In his report for 1836, the superintendent of common schools of the State of New York asserted: "Under any view of the subject it is reasonable to believe, that in the common schools, private schools and academies, the number of children actually receiving instruction is equal to the whole number between five and sixteen years of

age." Conditions doubtless varied from state to state, but by all accounts schooling was widely available to (white) children from families at all economic levels.

Beginning in the 1840s, a campaign developed to replace the diverse and largely private system by a system of so-called free schools, i.e., schools in which parents and others paid the cost indirectly by taxes rather than directly by fees. According to E. G. West, who has studied extensively the development of government's role in schooling, this campaign was not led by dissatisfied parents, but "mainly by teachers and government officials." } The most famous crusader for free schools was Horace Mann, "the father of American public education," as he is termed in the *Encyclopaedia Britannica* article on his life' Mann was the first secretary of the Massachusetts State Board of Education established in 1837, and for the next twelve years he conducted an energetic campaign for a school system paid for by government and controlled by professional educators. His main arguments were that education was so important that government had a duty to provide education to every child, that schools should be secular and include children of all religious, social, and ethnic backgrounds, and that universal, free schooling would enable children to overcome the handicaps of the poverty of their parents. "In his secretarial reports to the Massachusetts Board of Education, Mann proclaimed repetitively . . . that education was a good public investment and increased output." " Though the arguments were all pitched in terms of the public interest, much of the support of teachers and administrators for the public school movement derived from a narrow self-interest. They expected to enjoy greater certainty of employment, greater assurance that their salaries would be paid, and a greater degree of control if government rather than parents were the immediate paymaster.

"Despite vast difficulties and vigorous opposition . . . the main outlines of" the kind of system urged by Mann "were achieved by the middle of the 19th century." Ever since, most children have attended government schools. A few have continued to attend so-called private schools, mostly schools operated by the Catholic Church and other religious denominations.

The United States was not unique in moving from a mostly

private to a mostly governmental system of schools. Indeed, one authority has described "the gradual acceptance of the view that education ought to be a responsibility of the state" as the "most significant" of the general trends of the nineteenth century "that were still influencing education in all western countries in the second half of the 20th century." Interestingly enough, this trend began in Prussia in 1808, and in France, under Napoleon, about the same time. Britain was even later than the United States. "Winder the spell of *laissez faire* [it] hesitated a long time before allowing the state to intervene in educational affairs," but finally, in 1870, a system of government schools was established, though elementary education was not made compulsory until 1880, and fees were not generally abolished until 1891.^o In Britain, as in the United States, schooling was almost universal before the government took it over. Professor West has maintained persuasively that the government takeover in Britain, as in the United States, resulted from pressure by teachers, administrators, and well-meaning intellectuals, rather than parents. He concludes that the government takeover reduced the quality and diversity of schooling.¹⁰

Education is still another example, like Social Security, of the common element in authoritarian and socialist philosophies. Aristocratic and authoritarian Prussia and Imperial France were the pioneers in state control of education. Socialistically inclined intellectuals in the United States, Britain, and later Republican France were the major supporters of state control in their countries.

The establishment of the school system in the United States as an island of socialism in a free market sea reflected only to a very minor extent the early emergence among intellectuals of a distrust of the market and of voluntary exchange. Mostly, it simply reflected the importance that was attached by the community to the ideal of equality of opportunity. The ability of Horace Mann and his associates to tap that deep sentiment enabled them to succeed in their crusade.

Needless to say, the public school system was not viewed as "socialist" but simply as "American." The most important factor determining how the system operated was its decentralized political structure. The U.S. Constitution narrowly limited the powers

of the federal government, so that it played no significant role. The states mostly left control of schools to the local community, the town, the small city, or a subdivision of a large city. Close monitoring of the political authorities running the school system by parents was a partial substitute for competition and assured that any widely shared desires of parents were implemented.

Before the Great Depression the situation was already changing. School districts were consolidated, educational districts enlarged, and more and more power was granted to professional educators. After the depression, when the public joined the intellectuals in an unbridled faith in the virtues of government, and especially of central government, the decline of the one-room school and the local school board became a rout. Power shifted rapidly from the local community to broader entities—the city, the county, the state, and more recently, the federal government.

In 1920 local funds made up 83 percent of all revenues of public schools, federal grants less than 1 percent. By 1940 the local share had fallen to 68 percent. Currently it is less than one-half. The state provided most of the rest of the money: 16 percent in 1920, 30 percent in 1940, and currently more than 40 percent. The federal government's share is still small but growing rapidly: from less than 2 percent in 1940 to roughly 8 percent currently.

As professional educators have taken over, control by parents has weakened. In addition, the function assigned to schools has changed. They are still expected to teach the three R's and to transmit common values. In addition, however, schools are now regarded as means of promoting social mobility, racial integration, and other objectives only distantly related to their fundamental task.

In Chapter 4 we referred to the Theory of Bureaucratic Displacement that Dr. Max Gammon had developed after studying the British National Health Service: in his words, in "a bureaucratic system . . . *increase in expenditure* will be matched by *fall in production*. . . . Such systems will act rather like 'black holes' in the economic universe, simultaneously sucking in resources, and shrinking in terms of 'emitted' production." ¹¹

His theory applies in full force to the effect of the increasing bureaucratization and centralization of the public school system

in the United States. In the five years from school year 1971–72 to school year 1976–77, total professional staff in all U.S. public schools went up 8 percent, cost per pupil went up 58 percent in dollars (11 percent after correction for inflation). *Input clearly up.*

The number of students went *down* 4 percent, the number of schools went *down* 4 percent. And we suspect that few readers will demur from the proposition that the quality of schooling went *down* even more drastically than the quantity. That is certainly the story told by the declining grades recorded on standardized examinations. *Output clearly down.*

Is the decline in output per unit of input due to increasingly bureaucratic and centralized organization? As some evidence, the number of school districts went down by 17 percent in the seven-year period from 1970–71 to 1977–78—continuing the longer-term trend to greater centralization. As to bureaucratization, for a somewhat earlier five-year period for which data are available (1968–69 to 1973–74), when the number of students went up 1 percent, the total professional staff went up 15 percent, and teachers 14 percent, *but supervisors went up 44 percent.*'

The problem in schooling is not mere size, not simply that school districts have become larger, and that, on the average, each school has more students. After all, in industry, size has often proved a source of greater efficiency, lower cost, and improved quality. Industrial development in the United States gained a great deal from the introduction of mass production, from what economists call the "economies of scale." Why should schooling be different?

It isn't. The difference is not between schooling and other activities but between arrangements under which the consumer is free to choose and arrangements under which the producer is in the saddle so the consumer has little to say. If the consumer is free to choose, an enterprise can grow in size only if it produces an item that the consumer prefers because of either its quality or its price. And size alone will not enable any enterprise to impose a product on the consumer that the consumer does not consider is worth its price. The large size of General Motors has not prevented it from flourishing. The large size of W. T. Grant & Co.

did not save it from bankruptcy. When the consumer is free to choose, size will survive only if it is efficient.

In political arrangements size generally does affect consumers' freedom to choose. In small communities the individual citizen feels that he has, and indeed does have, more control over what the political authorities do than in large communities. He may not have the same freedom to choose that he has in deciding whether to buy something or not, but at least he has a considerable opportunity to affect what happens. In addition, when there are many small communities, the individual can choose where to live. Of course, that is a complex choice, involving many elements. Nonetheless, it does mean that local governments must provide their citizens with services they regard as worth the taxes they pay or either be replaced or suffer a loss of taxpayers.

The situation is very different when power is in the hands of a central government. The individual citizen feels that he has, and indeed does have, little control over the distant and impersonal political authorities. The possibility of moving to another community, though it may still be present, is far more limited.

In schooling, the parent and child are the consumers, the teacher and school administrator the producers. Centralization in schooling has meant larger size units, a reduction in the ability of consumers to choose, and an increase in the power of producers. Teachers, administrators, and union officials are no different from the rest of us. They may be parents, too, sincerely desiring a fine school system. However, their interests as teachers, as administrators, as union officials are different from their interests as parents and from the interests of the parents whose children they teach. Their interests may be served by greater centralization and bureaucratization even if the interests of the parents are not—indeed, one way in which those interests are served is precisely by reducing the power of parents.

The same phenomenon is present whenever government bureaucracy takes over at the expense of consumer choice: whether in the post office, in garbage collection, or in the many examples in other chapters.

In schooling, those of us who are in the upper-income classes retain our freedom to choose. We can send our children to private

schools, in effect paying twice for their schooling—once in taxes to support the public school system, once in school fees. Or we can choose where to live on the basis of the quality of the public school system. Excellent public schools tend to be concentrated in the wealthier suburbs of the larger cities, where parental control remains very real."

The situation is worst in the inner cities of the larger metropolises—New York, Chicago, Los Angeles, Boston. The people who live in these areas can pay twice for their children's schooling only with great difficulty—though a surprising number do so by sending their children to parochial schools. They cannot afford to move to the areas with good public schools. Their only recourse is to try to influence the political authorities who are in charge of the public schools, usually a difficult if not hopeless task, and one for which they are not well qualified. The residents of the inner cities are probably more disadvantaged in respect of the level of schooling they can get for their children than in any other area of life with the possible exception of crime protection—another "service" that is provided by government.

The tragedy, and irony, is that a system dedicated to enabling all children to acquire a common language and the values of U.S. citizenship, to giving all children equal educational opportunity, should in practice exacerbate the stratification of society and provide highly unequal educational opportunity. Expenditures on schooling per pupil are often as high in the inner cities as in even the wealthy suburbs, but the quality of schooling is vastly lower. In the suburbs almost all of the money goes for education; in the inner cities much of it must go to preserving discipline, preventing vandalism, or repairing its effects. The atmosphere in some inner city schools is more like that of a prison than of a place of learning. The parents in the suburbs are getting far more value for their tax dollars than the parents in the inner cities.

A VOUCHER PLAN FOR ELEMENTARY AND SECONDARY SCHOOLING

Schooling, even in the inner cities, does not have to be the way it is. It was not that way when parents had greater control. It is not that way now where parents still have control.

The strong American tradition of voluntary action has provided many excellent examples that demonstrate what can be done when parents have greater choice. One example at the elementary level is a parochial school, St. John Chrysostom's, that we visited in one of the poorest neighborhoods in New York City's Bronx. Its funds come in part from a voluntary charitable organization, New York's Inner City Scholarship Fund, in part from the Catholic Church, in part from fees. The youngsters at the school are there because their parents chose it. Almost all are from poor families, yet their parents are all paying at least some of the costs. The children are well behaved, eager to learn. The teachers are dedicated. The atmosphere is quiet and serene.

The cost per pupil is far less than in public schools even after account is taken of the free services of those teachers who are nuns. Yet on the average, the children are two grades ahead of their peers in public school. That's because teachers and parents are free to choose how the children shall be taught. Private money has replaced tax money. Control has been taken away from bureaucrats and put back where it belongs.

Another example, this one at the secondary level, is in Harlem. In the 1960s Harlem was devastated by riots. Many teenagers dropped out of school. Groups of concerned parents and teachers decided to do something about it. They used private funds to take over empty stores and they set up what became known as storefront schools. One of the first and most successful was called Harlem Prep, designed to appeal to youngsters for whom conventional education had failed.

Harlem Prep had inadequate physical facilities. Many of its teachers did not have the right pieces of paper to qualify for certification to teach in public schools. But that did not keep them from doing a good job. Though many students had been misfits and dropouts, they found the sort of teaching they wanted at Harlem Prep.

The school was phenomenally successful. Many of its students went to college, including some of the leading colleges. But unfortunately, this story has an unhappy ending. After the initial period of crisis had passed, the school ran short of cash. The Board of Education offered Ed Carpenter (the head of the school and one of its founders) the money, provided he would conform

to their regulations. After a long battle to preserve independence, he gave in. The school was taken over by bureaucrats. "I felt," commented Mr. Carpenter, "that a school like Harlem Prep would certainly die, and not prosper, under the rigid bureaucracy of a Board of Education. . . . We had to see what was going to happen. I didn't believe it was going to be good. I am right. What has happened since we have come to the Board of Education is not all good. It is not all bad, but it's more bad than good."

Private ventures of this kind are valuable. However, at best they only scratch the surface of what needs to be done.

One way to achieve a major improvement, to bring learning back into the classroom, especially for the currently most disadvantaged, is to give all parents greater control over their children's schooling, similar to that which those of us in the upper-income classes now have. Parents generally have both greater interest in their children's schooling and more intimate knowledge of their capacities and needs than anyone else. Social reformers, and educational reformers in particular, often self-righteously take for granted that parents, especially those who are poor and have little education themselves, have little interest in their children's education and no competence to choose for them. That is a gratuitous insult. Such parents have frequently had limited opportunity to choose. However, U.S. history has amply demonstrated that, given the opportunity, they have often been willing to sacrifice a great deal, and have done so wisely, for their children's welfare.

No doubt, some parents lack interest in their children's schooling or the capacity and desire to choose wisely. However, they are in a small minority. In any event, our present system unfortunately does little to help their children.

One simple and effective way to assure parents greater freedom to choose, while at the same time retaining present sources of finance, is a voucher plan. Suppose your child attends a public elementary or secondary school. On the average, countrywide, it cost the taxpayer—you and me—about \$2,000 per year in 1978 for every child enrolled. If you withdraw your child from a public school and send him to a private school, you save taxpayers about \$2,000 per year—but you get no part of that saving except as it

is passed on to all taxpayers, in which case it would amount to at most a few cents off your tax bill. You have to pay private tuition in addition to taxes—a strong incentive to keep your child in a public school.

Suppose, however, the government said to you: "If you relieve us of the expense of schooling your child, you will be given a voucher, a piece of paper redeemable for a designated sum of money, if, and only if, it is used to pay the cost of schooling your child at an approved school." The sum of money might be \$2,000, or it might be a lesser sum, say \$1,500 or \$1,000, in order to divide the saving between you and the other taxpayers. But whether the full amount or the lesser amount, it would remove at least a part of the financial penalty that now limits the freedom of parents to choose.⁴

The voucher plan embodies exactly the same principle as the GI bills that provide for educational benefits to military veterans. The veteran gets a voucher good only for educational expense and he is completely free to choose the school at which he uses it, provided that it satisfies certain standards.

Parents could, and should, be permitted to use the vouchers not only at private schools but also at other public schools—and not only at schools in their own district, city, or state, but at any school that is willing to accept their child. That would both give every parent a greater opportunity to choose and at the same time require public schools to finance themselves by charging tuition (wholly, if the voucher corresponded to the full cost; at least partly, if it did not). The public schools would then have to compete both with one another and with private schools.

This plan would relieve no one of the burden of taxation to pay for schooling. It would simply give parents a wider choice as to the form in which their children get the schooling that the community has obligated itself to provide. The plan would also not affect the present standards imposed on private schools in order for attendance at them to satisfy the compulsory attendance laws.

We regard the voucher plan as a partial solution because it affects neither the financing of schooling nor the compulsory attendance laws. We favor going much farther. Offhand, it would appear that the wealthier a society and the more evenly distributed

is income within it, the less reason there is for government to finance schooling. The parents bear most of the cost in any event, and the cost for equal quality is undoubtedly higher when they bear the cost indirectly through taxes than when they pay for schooling directly—unless schooling is very different from other government activities. Yet in practice, government financing has accounted for a larger and larger share of total educational expenses as average income in the United States has risen and income has become more evenly distributed.

We conjecture that one reason is the government operation of schools, so that the desire of parents to spend more on schooling as their incomes rose found the path of least resistance to be an increase in the amount spent on government schools. One advantage of a voucher plan is that it would encourage a gradual move toward greater direct parental financing. The desire of parents to spend more on schooling could readily take the form of adding to the amount provided by the voucher. Public financing for hardship cases might remain, but that is a far different matter than having the government finance a school system for 90 percent of the children going to school because 5 or 10 percent of them might be hardship cases.

The compulsory attendance laws are the justification for government control over the standards of private schools. But it is far from clear that there is any justification for the compulsory attendance laws themselves. Our own views on this have changed over time. When we first wrote extensively a quarter of a century ago on this subject, we accepted the need for such laws on the ground that "a stable democratic society is impossible without a minimum degree of literacy and knowledge on the part of most citizens." We continue to believe that, but research that has been done in the interim on the history of schooling in the United States, the United Kingdom, and other countries has persuaded us that compulsory attendance at schools is not necessary to achieve that minimum standard of literacy and knowledge. As already noted, such research has shown that schooling was well-nigh universal in the United States before attendance was required. In the United Kingdom, schooling was well-nigh universal before either compulsory attendance or government financing of schooling ex-

isted. Like most laws, compulsory attendance laws have costs as well as benefits. We no longer believe the benefits justify the costs.

We realize that these views on financing and attendance laws will appear to most readers to be extreme. That is why we only state them here to keep the record straight without seeking to support them at length. Instead, we return to the voucher Plan—a much more moderate departure from present practice.

Currently, the only widely available alternative to a local public school is a parochial school. Only churches have been in a position to subsidize schooling on a large scale and only subsidized schooling can compete with "free" schooling. (Try selling a product that someone else is giving away!) The voucher plan would produce a much wider range of alternatives—unless it was sabotaged by excessively rigid standards for "approval." The choice among public schools themselves would be greatly increased. The size of a public school would be determined by the number of customers it attracted, not by politically defined geographical boundaries or by pupil assignment. Parents who organized nonprofit schools, as a few families have, would be assured of funds to pay the costs. Voluntary organizations—ranging from vegetarians to Boy Scouts to the YMCA—could set up schools and try to attract customers. And most important, new sorts of private schools could arise to tap the vast new market.

Let us consider briefly some possible problems with the voucher plan and some objections that have been raised to it.

(1) *The church-state issue.* If parents could use their vouchers to pay tuition at parochial schools, would that violate the First Amendment? Whether it does or not, is it desirable to adopt a policy that might strengthen the role of religious institutions in schooling?

The Supreme Court has generally ruled against state laws providing assistance to parents who send their children to parochial schools, although it has never had occasion to rule on a full-fledged voucher plan covering both public and nonpublic schools. However it might rule on such a plan, it seems clear that the Court would accept a plan that excluded church-connected schools but applied to all other private and public schools. Such a re-

stricted plan would be far superior to the present system, and might not be much inferior to a wholly unrestricted plan. Schools now connected with churches could qualify by subdividing themselves into two parts: a secular part reorganized as an independent school eligible for vouchers, and a religious part reorganized as an after-school or Sunday activity paid for directly by parents or church funds.

The constitutional issue will have to be settled by the courts. But it is worth emphasizing that vouchers would go to *parents, not to schools*. Under the GI bills, veterans have been free to attend Catholic or other colleges and, so far as we know, no First Amendment issue has ever been raised. Recipients of Social Security and welfare payments are free to buy food at church bazaars and even to contribute to the collection plate from their government subsidies, with no First Amendment question being asked.

Indeed, we believe that the penalty that is now imposed on parents who do not send their children to public schools violates the spirit of the First Amendment, whatever lawyers and judges may decide about the letter. Public schools teach religion, too—not a formal, theistic religion, but a set of values and beliefs that constitute a religion in all but name. The present arrangements abridge the religious freedom of parents who do not accept the religion taught by the public schools yet are forced to pay to have their children indoctrinated with it, and to pay still more to have their children escape indoctrination.

(2) *Financial cost*. A second objection to the voucher plan is that it would raise the total cost to taxpayers of schooling—because of the cost of vouchers given for the roughly 10 percent of children who now attend parochial and other private schools. That is a "problem" only to those who disregard the present discrimination against parents who send their children to nonpublic schools. Universal vouchers would end the inequity of using tax funds to school some children but not others.

In any event, there is a simple and straightforward solution: let the amount of the voucher be enough less than the current cost per public school child to keep total public expenditures the same. The smaller amount spent in a private competitive school would

very likely provide a higher quality of schooling than the larger amount now spent in government schools. Witness the drastically lower cost per child in parochial schools. (The fact that elite, luxury schools charge high tuition is no counter argument, any more than the \$12.25 charged by the "21" Club for its Hamburger Twenty-One in 1979 meant that McDonald's could not sell a hamburger profitably for 45 cents and a Big Mac for \$1.05.)

(3) *The possibility of fraud.* How can one make sure that the voucher is spent for schooling, not diverted to beer for papa and clothes for mama? The answer is that the voucher would have to be spent in an *approved* school or teaching establishment and could be redeemed for cash only by such schools. That would not prevent *all* fraud—perhaps in the forms of "kickbacks" to parents—but it should keep fraud to a tolerable level.

(4) *The racial issue.* Voucher plans were adopted for a time in a number of southern states to avoid integration. They were ruled unconstitutional. Discrimination under a voucher plan can be prevented at least as easily as in public schools by redeeming vouchers only from schools that do not discriminate. A more difficult problem has troubled some students of vouchers. That is the possibility that voluntary choice with vouchers might increase racial and class separation in schools and thus exacerbate racial conflict and foster an increasingly segregated and hierarchical society.

We believe that the voucher plan would have precisely the opposite effect; it would moderate racial conflict and promote a society in which blacks and whites cooperate in joint objectives, while respecting each other's separate rights and interests. Much objection to forced integration reflects not racism but more or less well-founded fears about the physical safety of children and the quality of their schooling. Integration has been most successful when it has resulted from choice, not coercion. Nonpublic schools, parochial and other, have often been in the forefront of the move toward integration.

Violence of the kind that has been rising in public schools is possible only because the victims are compelled to attend the schools that they do. Give them effective freedom to choose and students—black and white, poor and rich, North and South—would desert schools that could not maintain order. Discipline is

seldom a problem in private schools that train students as radio and television technicians, typists and secretaries, or for myriad other specialties.

Let schools specialize, as private schools would, and common interest would overcome bias of color and lead to more integration than now occurs. The integration would be real, not merely on paper.

The voucher scheme would eliminate the forced busing that a large majority of both blacks and whites object to. Busing would occur, and might indeed increase, but it would be voluntary—just as the busing of children to music and dance classes is today.

The failure of black leaders to espouse vouchers has long puzzled us. Their constituents would benefit most. It would give them control over the schooling of their children, eliminate domination by both the city-wide politicians and, even more important, the entrenched educational bureaucracy. Black leaders frequently send their own children to private schools. Why do they not help others to do the same? Our tentative answer is that vouchers would also free the black man from domination by his own political leaders, who currently see control over schooling as a source of political patronage and power.

However, as the educational opportunities open to the mass of black children have continued to deteriorate, an increasing number of black educators, columnists, and other community leaders have started to support vouchers. The Congress of Racial Equality has made the support of vouchers a major plank in its agenda.

(5) *The economic class issue.* The question that has perhaps divided students of vouchers more than any other is their likely effect on the social and economic class structure. Some have argued that the great value of the public school has been as a melting pot, in which rich and poor, native- and foreign-born, black and white have learned to live together. That image was and is largely true for small communities, but almost entirely false for large cities. There, the public school has fostered residential stratification, by tying the kind and cost of schooling to residential location. It is no accident that most of the country's outstanding public schools are in high-income enclaves.

Most children would still probably attend a neighborhood elementary school under a voucher plan—indeed, perhaps more than now do because the plan would end forced busing. However, because the voucher plan would tend to make residential areas more heterogeneous, the local schools serving any community might well be less homogeneous than they are now. Secondary schools would almost surely be less stratified. Schools defined by common interests—one stressing, say, the arts; another, the sciences; another, foreign languages—would attract students from a wide variety of residential areas. No doubt self-selection would still leave a large class element in the composition of the student bodies, but that element would be less than it is today.

One feature of the voucher plan that has aroused particular concern is the possibility that parents could and would "add on" to the vouchers. If the voucher were for, say, \$1,500, a parent could add another \$500 to it and send his child to a school charging \$2,000 tuition. Some fear that the result might be even wider differences in educational opportunities than now exist because low-income parents would not add to the amount of the voucher while middle-income and upper-income parents would supplement it extensively.

This fear has led several supporters of voucher plans to propose that "add-ons" be prohibited.¹⁶

Coons and Sugarman write that the

freedom to add on private dollars makes the Friedman model unacceptable to many, including ourselves. . . . Families unable to add extra dollars would patronize those schools that charged no tuition above the voucher, while the wealthier would be free to distribute themselves among the more expensive schools. What is today merely a personal choice of the wealthy, secured entirely with private funds, would become an invidious privilege assisted by government. . . . This offends a fundamental value commitment—that any choice plan must secure equal family opportunity to attend any participating school.

Even under a choice plan which allowed tuition add-ons, poor families might be better off than they are today. Friedman has argued as much. Nevertheless, however much it improved their education, conscious government finance of economic segregation exceeds our tolerance. If the Friedman scheme were the only politically viable experiment with choice, we would not be enthusiastic.

This view seems to us an example of the kind of egalitarianism discussed in the preceding chapter: letting parents spend money on riotous living but trying to prevent them from spending money on improving the schooling of their children. It is particularly remarkable coming from Coons and Sugarman, who elsewhere say, "A commitment to equality at the deliberate expense of the development of individual children seems to us the final corruption of whatever is good in the egalitarian instinct" ¹—a sentiment with which we heartily agree. In our judgment the very poor would benefit the most from the voucher plan. How can one conceivably justify objecting to a plan, "however much it improved [the] education" of the poor, in order to avoid "government finance of" what the authors call "economic segregation," even if it could be demonstrated to have that effect? And of course, it cannot be demonstrated to have that effect. On the contrary, we are persuaded on the basis of considerable study that it would have precisely the opposite effect—though we must accompany that statement with the qualification that "economic segregation" is so vague a term that it is by no means clear what it means.

The egalitarian religion is so strong that some proponents of restricted vouchers are unwilling to approve even experiments with unrestricted vouchers. Yet to our knowledge, none has ever offered anything other than unsupported assertions to support the fear that an unrestricted voucher system would foster "economic segregation."

This view also seems to us another example of the tendency of intellectuals to denigrate parents who are poor. Even the very poorest can—and do—scrape up a few extra dollars to improve the quality of their children's schooling, although they cannot replace the whole of the present cost of public schooling. We suspect that add-ons would be about as frequent among the poor as among the rest, though perhaps of smaller amounts.

As already noted, our own view is that an unrestricted voucher would be the most effective way to reform an educational system that now helps to shape a life of misery, poverty, and crime for many children of the inner city; that it would undermine the foundations of much of such economic segregation as exists today. We cannot present the full basis for our belief here. But perhaps

we can render our view plausible by simply recalling another facet of an earlier judgment: is there any category of goods and services—other than protection against crime—the availability of which currently differs more widely among economic groups than the quality of schooling? Are the supermarkets available to different economic groups anything like so divergent in quality as the schools? Vouchers would improve the quality of the schooling available to the rich hardly at all; to the middle class, moderately; to the lower-income class, enormously. Surely the benefit to the poor more than compensates for the fact that some rich or middle-income parents would avoid paying twice for schooling their children.

(6) *Doubt about new schools.* Is this not all a pipe dream? Private schools now are almost all either parochial schools or elite academies. Will the effect of the voucher plan simply be to subsidize these, while leaving the bulk of the slum dwellers in inferior public schools? What reason is there to suppose that alternatives will really arise?

The reason is that a market would develop where it does not exist today. Cities, states, and the federal government today spend close to \$100 billion a year on elementary and secondary schools. That sum is a third larger than the total amount spent annually in restaurants and bars for food and liquor. The smaller sum surely provides an ample variety of restaurants and bars for people in every class and place. The larger sum, or even a fraction of it, would provide an ample variety of schools.

It would open a vast market that could attract many entrants, both from public schools and from other occupations. In the course of talking to various groups about vouchers, we have been impressed by the number of persons who said something like, "I have always wanted to teach [or run a school] but I couldn't stand the educational bureaucracy, red tape, and general ossification of the public schools. Under your plan, I'd like to try my hand at starting a school."

Many of the new schools would be established by nonprofit groups. Others would be established for profit. There is no way of predicting the ultimate composition of the school industry. That would be determined by competition. The one prediction that

can be made is that only those schools that satisfy their customers will survive—just as only those restaurants and bars that satisfy their customers survive. Competition would see to that.

(7) *The impact on public schools.* It is essential to separate the rhetoric of the school bureaucracy from the real problems that would be raised. The National Education Association and the American Federation of Teachers claim that vouchers would destroy the public school system, which, according to them, has been the foundation and cornerstone of our democracy. Their claims are never accompanied by any evidence that the public school system today achieves the results claimed for it—whatever may have been true in earlier times. Nor do the spokesmen for these organizations ever explain why, if the public school system is doing such a splendid job, it needs to fear competition from nongovernmental, competitive schools or, if it isn't, why anyone should object to its "destruction."

The threat to public schools arises from their defects, not their accomplishments. In small, closely knit communities where public schools, particularly elementary schools, are now reasonably satisfactory, not even the most comprehensive voucher plan would have much effect. The public schools would remain dominant, perhaps somewhat improved by the threat of potential competition. But elsewhere, and particularly in the urban slums where the public schools are doing such a poor job, most parents would undoubtedly try to send their children to nonpublic schools.

That would raise some transitional difficulties. The parents who are most concerned about their children's welfare are likely to be the first to transfer their children. Even if their children are no smarter than those who remain, they will be more highly motivated to learn and will have more favorable home backgrounds. The possibility exists that some public schools would be left with "the dregs," becoming even poorer in quality than they are now.

As the private market took over, the quality of all schooling would rise so much that even the worst, while it might be *relatively* lower on the scale, would be better in *absolute* quality. And as Harlem Prep and similar experiments have demonstrated, many pupils who are among "the dregs" would perform well in schools that evoked their enthusiasm instead of hostility or apathy.

As Adam Smith put it two centuries ago,

No discipline is ever requisite to force attendance upon lectures which are really worth the attending. . . . Force and restraint may, no doubt, be in some degree requisite in order to oblige children . . . to attend to those parts of education which it is thought necessary for them to acquire during that early period of life; but after twelve or thirteen years of age, provided the master does his duty, force or restraint can scarce ever be necessary to carry on any part of education. . . .

Those parts of education, it is to be observed, for the teaching of which there are no public institutions, are generally the best taught."

THE OBSTACLES TO A VOUCHER PLAN

Since we first proposed the voucher plan a quarter-century ago as a practical solution to the defects of the public school system, support has grown. A number of national organizations favor it today."° Since 1968 the Federal Office of Economic Opportunity and then the Federal Institute of Education encouraged and financed studies of voucher plans and offered to help finance experimental voucher plans. **In** 1978 a constitutional amendment was on the ballot in Michigan to mandate a voucher plan. In 1979 a movement was under way in California to qualify a constitutional amendment mandating a voucher plan for the 1980 ballot. A nonprofit institute has recently been established to explore educational vouchers."¹ At the federal level, bills providing for a limited credit against taxes for tuition paid to nonpublic schools have several times come close to passing. While they are not a voucher plan proper, they are a partial variant, partial both because of the limit to the size of the credit and because of the difficulty of including persons with no or low tax liability.

The perceived self-interest of the educational bureaucracy is the key obstacle to the introduction of market competition in schooling. This interest group, which, as Professor Edwin G. West demonstrated, played a key role in the establishment of public schooling in both the United States and Great Britain, has adamantly opposed every attempt to study, explore, or experiment with voucher plans.

Kenneth B. Clark, a black educator and psychologist, summed up the attitude of the school bureaucracy:

. . . it does not seem likely that the changes necessary for increased efficiency of our urban public schools will come about because they should. . . . What is most important in understanding the ability of the educational establishment to resist change is the fact that public school systems are protected public monopolies with only minimal competition from private and parochial schools. Few critics of the American urban public schools—even severe ones such as myself—dare to question the givens of the present organization of public education. . . . Nor dare the critics question the relevance of the criteria and standards for selecting superintendents, principals, and teachers, or the relevance of all of these to the objectives of public education—producing a literate and informed public to carry on the business of democracy—and to the goal of producing human beings with social sensitivity and dignity and creativity and a respect for the humanity of others.

A monopoly need not genuinely concern itself with these matters. As long as local school systems can be assured of state aid and increasing federal aid without the accountability which inevitably comes with aggressive competition, it would be sentimental, wishful thinking to expect any significant increase in the efficiency of our public schools. If there are no alternatives to the present system—short of present private and parochial schools, which are approaching their limit of expansion—then the possibilities of improvement in public education are limited.²²

The validity of this assessment was subsequently demonstrated by the reaction of the educational establishment to the federal government's offer to finance experiments in vouchers. Promising initiatives were developed in a considerable number of communities. Only one—at Alum Rock, California—succeeded. It was severely hobbled. The case we know best, from personal experience, was in New Hampshire, where William P. Bittenbender, then chairman of the State Board of Education, was dedicated to conducting an experiment. The conditions seemed excellent, funds were granted by the federal government, detailed plans were drawn up, experimental communities were selected, preliminary agreement from parents and administrators was obtained. When all seemed ready to go, one community after another was persuaded by the local superintendent of schools or other leading

figures in the educational establishment to withdraw from the proposed experiment, and the whole venture collapsed.

The Alum Rock experiment was the only one actually to be carried out, and it was hardly a proper test of vouchers. It was limited to a few public schools and allowed no addition to government funds from either parents or others. A number of so-called mini-schools were set up, each with a different curriculum. For three years, parents could choose which their children would attend.

As Don Ayers, who was in charge of the experiment, said, "Probably the most significant thing that happened was that the teachers for the first time had some power and they were able to build the curriculum to fit the needs of the children as they saw it. The state and local school board did not dictate the kind of curriculum that was used in McCollam School. The parents became more involved in the school. They attended more meetings. Also they had a power to pull their child out of that particular mini-school if they chose another mini-school."

Despite the limited scope of that experiment, giving parents greater choice had a major effect on education quality. In terms of test scores, McCollam School went from thirteenth to second place among the schools in its district.

But the experiment is now over, ended by the educational establishment—the same fate that befell Harlem Prep.

The same resistance is present in Great Britain, where an extremely effective group called FEVER (Friends of the Education Voucher Experiment in Representative Regions) have tried for four years to introduce an experiment in a town in the county of Kent, England. The governing authorities have been favorable, but the educational establishment has been adamantly opposed.

The attitude of the professional educators toward vouchers is well expressed by Dennis Gee, headmaster of a school in Ashford, Kent, and secretary of the local teachers' union: "We see this as a barrier between us and the parent—this sticky little piece of paper [i.e., the voucher] in their hand—coming in and under duress—you will do this or else. We make our judgment because we believe it's in the best interest of every Willie and every little Johnny that we've got—and not because someone's going to say

`if you don't do it, we will do that.' It's this sort of philosophy of the marketplace that we object to."

In other words, Mr. Gee objects to giving the customer, in this case the parent, anything to say about the kind of schooling his child gets. Instead, he wants the bureaucrats to decide.

"We are answerable," says Mr. Gee,

to parents through our governing bodies, through the inspectorate to the Kent County Council, and through Her Majesty's inspectorate to the Secretary of State. These are people, professionals, who are able to make professional judgments.

I'm not sure that parents know what is best educationally for their children. They know what's best for them to eat. They know the best environment they can provide at home. But we've been trained to ascertain the problems of children, to detect their weaknesses, to put right those things that need putting right, and we want to do this freely, with the cooperation of parents and not under undue strains.

Needless to say, at least some parents view things very differently. A local electrical worker and his wife in Kent had to engage in a year-long dispute with the bureaucracy to get their son into the school that they thought was best suited to his needs.

Said Maurice Walton,

As the present system stands, I think we parents have no freedom of choice whatever. They are told what is good for them by the teachers. They are told that the teachers are doing a great job, and they've just got no say at all. If the voucher system were introduced, I think it would bring teachers and parents together—I think closer. The parent that is worried about his child would remove his child from the school that wasn't giving a good service and take it to one that was. . . . If a school was going to crumble because it's got nothing but vandalism, it's generally slack on discipline, and the children aren't learning—well, that's a good thing from my point of view.

I can understand the teachers saying it's a gun at my head, but they've got the same gun at the parents' head at the moment. The parent goes up to the teacher and says, well, I'm not satisfied with what you're doing, and the teacher can say, well tough. You can't take him away, you can't move him, you can't do what you like, so go away and stop bothering me. That can be the attitude of some teachers today, and often is. But now that the positions are being reversed [with vouchers] and the roles are changed, I can only say tough on the teachers. Let them pull their socks up and give us a better deal and let us participate more.

Despite the unrelenting opposition of the educational establishment, we believe that vouchers or their equivalent will be introduced in some form or other soon. We are more optimistic in this area than in welfare because education touches so many of us so deeply. We are willing to make far greater efforts to improve the schooling of our children than to eliminate waste and inequity in the distribution of relief. Discontent with schooling has been rising. So far as we can see, greater parental choice is the only alternative that is available to reduce that discontent. Vouchers keep being rejected and keep emerging with more and more support.

HIGHER EDUCATION: THE PROBLEMS

The problems of higher education in America today, like those in elementary and secondary education, are dual: quality and equity. But in both respects the absence of compulsory attendance alters the problem greatly. No one is required by law to attend an institution of higher education. As a result, students have a wide range of choice about what college or university to attend if they choose to continue their education. A wide range of choice eases the problem of quality, but exacerbates the problem of equity.

Quality. Since no person attends a college or university against his will (or perhaps his parents'), no institution can exist that does not meet, at least to a minimal extent, the demands of its students.

There remains a very different problem. At government institutions at which tuition fees are low, students are second-class customers. They are objects of charity partly supported at the expense of the taxpayer. This feature affects students, faculty, and administrators.

Low tuition fees mean that while city or state colleges and universities attract many serious students interested in getting an education, they also attract many young men and women who come because fees are low, residential housing and food are subsidized, and above all, many other young people are there. For them, college is a pleasant interlude between high school

and going to work. Attending classes, taking examinations, getting passing grades—these are the price they are paying for the other advantages, *not* the primary reason they are at school.

One result is a high dropout rate. For example, at the University of California in Los Angeles, one of the best regarded state universities in the country, only about half of those who enroll complete the undergraduate course—and this is a high completion rate for government institutions of higher education. Some who drop out transfer to other institutions, but that alters the picture only in detail.

Another result is an atmosphere in the classroom that is often depressing rather than inspiring. Of course, the situation is by no means uniform. Students can choose courses and teachers according to their interest. In every school, serious students and teachers find a way to get together and to achieve their objectives. But again, that is only a minor offset to the waste of students' time and taxpayers' money.

There are good teachers in city and state colleges and universities as well as interested students. But the rewards for faculty and administrators at the prestigious government institutions are not for good undergraduate teaching. Faculty members advance as a result of research and publication; administrators advance by attracting larger appropriations from the state legislature. As a result, even the most famous state universities—the University of California at Los Angeles or at Berkeley, the University of Wisconsin, or the University of Michigan—are not noted for undergraduate teaching. Their reputation is for graduate work, research, and athletic teams—that is where the payoffs are.

The situation is very different at private institutions. Students at such institutions pay high fees that cover much if not most of the cost of their schooling. The money comes from parents, from the students' own earnings, from loans, or from scholarship assistance. The important thing is that the students are the primary customers; they are paying for what they get, and they want to get their money's worth.

The college is selling schooling and the students are buying schooling. As in most private markets, both sides have a strong incentive to serve one another. If the college doesn't provide the

kind of schooling its students want, they can go elsewhere. The students want to get full value for their money. As one undergraduate at Dartmouth College, a prestigious private college, remarked, "When you see each lecture costing thirty-five dollars and you think of the other things you can be doing with the thirty-five dollars, you're making very sure that you're going to go to that lecture."

One result is that the fraction of students who enroll at private institutions who complete the undergraduate course is far higher than at government institutions—95 percent at Dartmouth compared to 50 percent at UCLA. The Dartmouth percentage is probably high for private institutions, as the UCLA percentage is for government institutions, but that difference is not untypical.

In one respect this picture of private colleges and universities is oversimplified. In addition to schooling, they produce and sell two other products: monuments and research. Private individuals and foundations have donated most of the buildings and facilities at private colleges and universities, and have endowed professorships and scholarships. Much of the research is financed out of income from endowments or out of special grants from the federal government or other sources for particular purposes. The donors have contributed out of a desire to promote something they regard as desirable. In addition, named buildings, professorships, and scholarships also memorialize an individual, which is why we refer to them as monuments.

The combination of the selling of schooling and monuments exemplifies the much underappreciated ingenuity of voluntary cooperation through the market in harnessing self-interest to broader social objectives. Henry M. Levin, discussing the financing of higher education, writes, "[I]t is doubtful whether the market would support a Classics department or many of the teaching programs in the arts and humanities that promote knowledge and cultural outcomes which are believed widely to affect the general quality of life in our society. The only way these activities would be sustained is by direct social subsidies," by which he means government grants." Mr. Levin is clearly wrong. The market—broadly interpreted—has supported social activities in private institutions. And it is precisely because they provide general bene-

fits to society, rather than serving the immediate self-interest of the providers of funds, that they are attractive to donors. Suppose Mrs. X wants to honor her husband, Mr. X. Would she, or anyone else, regard it as much of an honor to have the ABC Manufacturing enterprise (which may be Mr. X's real monument and contribution to social welfare) name a newly built factory for him? On the other hand, if Mrs. X finances a library or other building named for Mr. X at a university, or a named professorship or scholarship, that will be regarded as a real tribute to Mr. X. It will be so regarded precisely because it renders a public service.

Students participate in the joint venture of producing teaching, monuments, and research in two ways. They are customers, but they are also employees. By facilitating the sale of monuments and research, they contribute to the funds available for teaching, thereby earning, as it were, part of their way. This is another example of how complex and subtle are the ways and potentialities of voluntary cooperation.

Many nominally government institutions of higher learning are in fact mixed. They charge tuition and so sell schooling to students. They accept gifts for buildings and the like and so sell monuments. They accept contracts from government agencies or from private enterprises to engage in research. Many state universities have large private endowments—the University of California at Berkeley, the University of Michigan, the University of Wisconsin, to name only a few. Our impression is that the educational performance of the institution has in general been more satisfactory, the larger the role of the market.

Equity. Two justifications are generally offered for using tax money to finance higher education. One, suggested above by Mr. Levin, is that higher education yields "social benefits" over and above the benefits that accrue to the students themselves; the second is that government finance is needed to promote "equal educational opportunity."

(i) *Social benefits.* When we first started writing about higher education, we had a good deal of sympathy for the first justification. We no longer do. In the interim we have tried to induce the people who make this argument to be specific about the alleged

social benefits. The answer is almost always simply bad economics. We are told that the nation benefits by having more highly skilled and trained people, that investment in providing such skills is essential for economic growth, that more trained people raise the productivity of the rest of us. These statements are correct. But none is a valid reason for subsidizing higher education. Each statement would be equally correct if made about physical capital (i.e., machines, factory buildings, etc.), yet hardly anyone would conclude that tax money should be used to subsidize the capital investment of General Motors or General Electric. If higher education improves the economic productivity of individuals, they can capture that improvement through higher earnings, so they have a private incentive to get the training. Adam Smith's invisible hand makes their private interest serve the social interest. It is against the social interest to change their private interest by subsidizing schooling. The extra students—those who will only go to college if it is subsidized—are precisely the ones who judge that the benefits they receive are less than the costs. Otherwise they would be willing to pay the costs themselves.

Occasionally the answer is good economics but is supported more by assertion than by evidence. The most recent example is in the reports of a special Commission on Higher Education established by the Carnegie Foundation. In one of its final reports, *Higher Education: Who Pays? Who Benefits? Who Should Pay?*, the commission summarizes the supposed "social benefits." Its list contains the invalid economic arguments discussed in the preceding paragraph—that is, it treats benefits accruing to the persons who get the education as if they were benefits to third parties. But its list also includes some alleged advantages that, if they did occur, would accrue to persons other than those who receive the education, and therefore might justify a subsidy: "general advancement of knowledge . . . ; greater political effectiveness of a democratic society . . . ; greater social effectiveness of society through the resultant better understanding and mutual tolerance among individuals and groups; the more effective preservation and extension of the cultural heritage." ²⁶

The Carnegie Commission is almost unique in at least paying

some lip service to possible "negative results of higher education" —giving as examples, however, only "the individual frustrations resulting from the current surplus of Ph.D.'s (which is not a social but an individual effect) and the public unhappiness with past outbreaks of campus disruption." Note how selective and biased are the lists of benefits and "negative results." In countries like India, a class of university graduates who cannot find employment they regard as suited to their education has been a source of great social unrest and political instability. In the United States "public unhappiness" was hardly the only, or even the major, negative effect of "campus disruption." Far more important were the adverse effects on the governance of the universities, on the "political effectiveness of a democratic society," on the "social effectiveness of society through . . . better understanding and mutual tolerance"—all cited by the commission, without qualification, as social benefits of higher education.

The report is unique also in recognizing that "without any public subsidy, some of the social benefits of higher education would come as *side effects* of privately financed education in any case." ²⁷ But here again this is simply lip service. Although the commission sponsored numerous and expensive special studies, it did not undertake any serious attempt to identify the alleged social effects in such a way as to permit even a rough quantitative estimate of their importance or of the extent to which they could be achieved without public subsidy. As a result, it offered no evidence that social effects are on balance positive or negative, let alone that any net positive effects are sufficiently large to justify the many billions of dollars of taxpayers' money being spent on higher education.

The commission contented itself with concluding that "no precise—or even imprecise—methods exist to assess the individual and societal benefits as against the private and public costs." But that did not prevent it from recommending firmly and unambiguously an increase in the already massive government subsidization of higher education.

In our judgment this is special pleading, pure and simple. The Carnegie Commission was headed by Clark Kerr, former Chancellor and President of the University of California, Berkeley. Of the eighteen members of the commission, including Kerr, nine

either were or had been heads of higher educational institutions, and five others were professionally associated with institutions of higher education. The remaining four had all served on the board of trustees or regents of universities. The academic community has no difficulty recognizing and sneering at special pleading when businessmen march to Washington under the banner of free enterprise to demand tariffs, quotas, and other special benefits. What would the academic world say about a steel industry commission, fourteen of whose eighteen members were from the steel industry, which recommended a major expansion in government subsidies to the steel industry? Yet we have heard nothing from the academic world about the comparable recommendation of the Carnegie Commission.

(ii) *Equal educational opportunity.* The promotion of "equal educational opportunity" is the major justification that is generally offered for using tax money to finance higher education. In the words of the Carnegie Commission, "We have favored . . . [a] larger public . . . share of monetary outlays for education on a temporary basis in order to make possible greater equality of educational opportunity." ²⁸ In the words of the parent Carnegie Foundation, "Higher education is . . . a major avenue to greater equality of opportunity, increasingly favored by those whose origins are in low-income families and by those who are women and members of minority groups." ²⁹

The objective is admirable. The statement of fact is correct. But there is a missing link between the one and the other. Has the objective been promoted or retarded by government subsidy? Has higher education been a "major avenue to greater equality of opportunity" because of or despite government subsidy?

One simple statistic from the Carnegie Commission's own report illustrates the problem of interpretation: 20 percent of college students from families with incomes below \$5,000 in 1971 attended private institutions; 17 percent from families with incomes between \$5,000 and \$10,000; 25 percent from families with incomes over \$10,000. In other words, the private institutions provided more opportunity for young men and women at the very bottom as well as the top of the income scale than did the government institutions. ³⁰

And this is just the tip of the iceberg. Persons from middle-

and upper-income families are two or three times as likely to attend college as persons from lower-income groups, and they go to school for more years at the more expensive institutions (four-year colleges and universities rather than two-year junior colleges). As a result, student from higher-income families benefit the most from the subsidies.³¹

Some persons from poor families do benefit from the government subsidy. In general, they are the ones among the poor who are better off. They have human qualities and skills that will enable them to profit from higher education, skills that would also have enabled them to earn a higher income without a college education. In any event, they are destined to be among the better off in the community.

Two detailed studies, one for Florida, one for California, underline the extent to which government spending on higher education transfers income from low- to high-income groups.

The Florida study compared the total benefits persons in each of four income classes received in 1967–68 from government expenditures on higher education with the costs they incurred in the form of taxes. Only the top income class got a net gain; it got back 60 percent more than it paid. The bottom two classes paid 40 percent more than they got back, the middle class nearly 20 percent more."³²

The California study, for 1964, is just as striking, though the key results are presented somewhat differently, in terms of families with and without children in California public higher education. Families with children in public higher education received a net benefit varying from 1.5 percent to 6.6 percent of their average income, the largest benefit going to those who had children at the University of California and who also had the highest average income. Families without children in public higher education had the lowest average income and incurred a net cost of 8.2 percent of their income.³³

The facts are not in dispute. Even the Carnegie Commission admits the perverse redistributive effect of government expenditures on higher education—although one must read their reports with great care, and indeed between the lines, to spot the admission in such comments as, "This 'middle class' generally . . .

does quite well in the proportion of public subsidies that it receives. Greater equity can be achieved through a reasonable redistribution of subsidies." "" Its major solution is more of the same: still greater government spending on higher education.

We know of no government program that seems to us so inequitable in its effects, so clear an example of Director's Law, as the financing of higher education. In this area those of us who are in the middle- and upper-income classes have conned the poor into subsidizing us on the grand scale—yet we not only have no decent shame, we boast to the treetops of our selflessness and public-spiritedness.

HIGHER EDUCATION: THE SOLUTION

It is eminently desirable that every young man and woman, regardless of his or her parents' income, social position, residence, or race, have the opportunity to get higher education—provided *that he or she is willing to pay for it either currently or out of the higher income the schooling will enable him or her to earn*. There is a strong case for providing loan funds sufficient to assure opportunity to all. There is a strong case for disseminating information about the availability of such funds and for urging the less privileged to take advantage of the opportunity. There is no case for subsidizing persons who get higher education at the expense of those who do not. Insofar as governments operate institutions of higher education, they should charge students fees corresponding to the full cost of the educational and other services they provide to them.

However desirable it may be to eliminate taxpayer subsidization of higher education, that does not currently seem politically feasible. Accordingly, we shall supplement our discussion of an alternative to government finance with a less radical reform—a voucher plan for higher education.

Alternative to government finance. Fixed-money loans to finance higher schooling have the defect that there is wide diversity in the earnings of college graduates. Some will do very well. Paying back a fixed-dollar loan would be no great problem for them. Others will end with only modest incomes. They would

find a fixed debt a heavy burden. Expenditure on education is a capital investment in a risky enterprise, as it were, like investment in a newly formed small business. The most satisfactory method of financing such enterprises is not through a fixed-dollar loan but through equity investment—"buying" a share in the enterprise and receiving as a return a share of the profits.

For education, the counterpart would be to "buy" a share in an individual's earning prospects, to advance him the funds needed to finance his training on condition that he agree to pay the investor a specified fraction of his future earnings. In this way an investor could recoup more than his initial investment from relatively successful individuals, which would compensate for the failure to do so from the unsuccessful. Though there seems no legal obstacle to private contracts on this basis, they have not become common, primarily, we conjecture, because of the difficulty and costs of enforcing them over the long period involved.

A quarter-century ago (1955), one of us published a plan for "equity" financing of higher education through a government body that

could offer to finance or help finance the training of any individual who could meet minimum quality standards. It would make available a limited sum per year for a specified number of years, provided the funds were spent on securing training at a recognized institution. The individual in return would agree to pay to the government in each future year a specified percentage of his earnings in excess of a specified sum for each \$1,000 that he received from the government. This payment could easily be combined with the payment of income tax and so involve a minimum of additional administrative expense. The base sum should be set equal to estimated average earnings without the specialized training; the fraction of earnings paid should be calculated so as to make the whole project self-financing. In this way, the individuals who received the training would in effect bear the whole cost. The amount invested could then be determined by individual choice.

More recently (1967), a panel appointed by President Johnson and headed by Professor Jerrold R. Zacharias of MIT recommended the adoption of a specific version of this plan under the appealing title "Educational Opportunity Bank" and made an extensive and detailed study of its feasibility and of the terms that

would be required in order for it to be self-supporting.³⁶ No reader of this book will be surprised to learn that the proposal was met by a blast from the Association of State Universities and Land Grant Colleges—a fine example of what Adam Smith referred to as "the passionate confidence of interested falsehood."³⁷

In 1970, as recommendation 13 out of thirteen recommendations for the financing of higher education, the Carnegie Commission proposed the establishment of a National Student Loan Bank that would make long-term loans with repayment partly contingent upon current earnings. "Unlike the Educational Opportunity Bank," says the commission, ". . . we see the National Student Loan Bank as a means of providing supplementary funding for students, not as a way of financing total educational costs."³⁸

More recently still, some universities, including Yale University, have considered or adopted contingent-repayment plans administered by the university itself. So a spark of life remains.

A voucher plan for higher education. Insofar as any tax money is spent to subsidize higher education, the least bad way to do so is by a voucher arrangement like that discussed earlier for elementary and secondary schools.

Have all government schools charge fees covering the full cost of the educational services they provide and so compete on equal terms with nongovernment schools. Divide the total amount of taxes to be spent annually on higher education by the number of students it is desired to subsidize per year. Give that number of students vouchers equal to the resulting sum. Permit the vouchers to be used at any educational institution of the student's choice, provided only that the schooling is of a kind that it is desired to subsidize. If the number of students requesting vouchers is greater than the number available, ration the vouchers by whatever criteria the community finds most acceptable: competitive examinations, athletic ability, family income, or any of myriad other possible standards. The resulting system would follow in broad outline the GI bills providing for the education of veterans, except that the GI bills were open-ended; their benefits were available to all veterans.

As we wrote when we first proposed this plan:

The adoption of such arrangements would make for more effective competition among various types of schools and for a more efficient utilization of their resources. It would eliminate the pressure for direct government assistance to private colleges and universities and thus preserve their full independence and diversity at the same time as it enabled them to grow relative to state institutions. It might also have the ancillary advantage of causing scrutiny of the purposes for which subsidies are granted. The subsidization of institutions rather than of people has led to an indiscriminate subsidization of all activities appropriate for such institutions, rather than of the activities appropriate for the state to subsidize. Even cursory examination suggests that while the two classes of activities overlap, they are far from identical.

The equity argument for the alternative [voucher] arrangement is . . . clear. . . . The state of Ohio, for example, says to its citizens: "If you have a youngster who wants to go to college, we shall automatically give him or her a sizable four-year scholarship, provided that he or she can satisfy rather minimal education requirements, and provided further that he or she is smart enough to choose to go to the University of Ohio [or some other state-supported institution]. If your youngster wants to go, or you want him or her to go, to Oberlin College, or Western Reserve University, let alone to Yale, Harvard, Northwestern, Beloit, or the University of Chicago, not a penny for him." How can such a program be justified? Would it not be far more equitable, and promote a higher standard of scholarship, to devote such money as the state of Ohio wished to spend on higher education to scholarships tenable at any college or university and to require the University of Ohio to compete on equal terms with other colleges and universities? s°

Since we first made this proposal, a number of states have adopted a limited program going partway in its direction by giving scholarships tenable at private colleges and universities, though only those in the state in question. On the other hand, an excellent program of Regents scholarships in New York State, very much in the same spirit, was emasculated by Governor Nelson Rockefeller's grandiose plans for a State University of New York modeled after the University of California.

Another important development in higher education has been a major expansion in the federal government's involvement in financing, and even more in regulating both government and

nongovernment institutions. The intervention has in large measure been part of the greatly expanded federal activity to foster so-called "affirmative action," in the name of greater civil rights. This intervention has aroused great concern among faculty and administrators at colleges and universities, and much opposition by them to the activities of federal bureaucrats.

The whole episode would be a matter of poetic justice if it were not so serious for the future of higher education. The academic community has been in the forefront of the proponents of such intervention—when directed at other segments of society. They have discovered the defects of intervention—its costliness, its interference with the primary mission of the institutions, and its counterproductiveness in its own terms—only when these measures were directed at them. They have now become the victims both of their own earlier professions of faith and of their self-interest in continuing to feed at the federal trough.

CONCLUSION

In line with common practice, we have used "education" and "schooling" as synonymous. But the identification of the two terms is another case of using persuasive terminology. In a more careful use of the terms, not all "schooling" is "education," and not all "education" is "schooling." Many highly schooled people are uneducated, and many highly "educated" people are unschooled.

Alexander Hamilton was one of the most truly "educated," literate, and scholarly of our founding fathers, yet he had only three or four years of formal schooling. Examples could be multiplied manyfold, and no doubt every reader knows highly schooled people whom he regards as uneducated and unschooled people whom he considers learned.

We believe that the growing role that government has played in financing and administering schooling has led not only to enormous waste of taxpayers' money but also to a far poorer educational system than would have developed had voluntary cooperation continued to play a larger role.

Few institutions in our society are in a more unsatisfactory state than schools. Few generate more discontent or can do more to

undermine our liberty. The educational establishment is up in arms in defense of its existing powers and privileges. It is supported by many public-spirited citizens who share a collectivist outlook. But it is also under attack. Declining test scores throughout the country; increasing problems of crime, violence, and disorder at urban schools; opposition on the part of the overwhelming majority of both whites and blacks to compulsory busing; restiveness on the part of many college and university teachers and administrators under the heavy hand of HEW bureaucrats—all this is producing a backlash against the trend toward centralization, bureaucratization, and socialization of schooling.

We have tried in this chapter to outline a number of constructive suggestions: the introduction of a voucher system for elementary and secondary education that would give parents at all income levels freedom to choose the schools their children attend; a contingent-loan financing system for higher education to combine equality of opportunity with the elimination of the present scandalous imposition of taxes on the poor to pay for the higher education of the well-to-do; or, alternatively, a voucher plan for higher education that would both improve the quality of institutions of higher education and promote greater equity in the distribution of such taxpayer funds as are used to subsidize higher education.

These proposals are visionary but they are not impracticable. The obstacles are in the strength of vested interests and prejudices, not in the feasibility of administering the proposals. There are forerunners, comparable programs in operation in this country and elsewhere on a smaller scale. There is public support for them.

We shall not achieve them at once. But insofar as we make progress toward them—or alternative programs directed at the same objective—we can strengthen the foundations of our freedom and give fuller meaning to equality of educational opportunity.