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Is Schooling a Consumer Good?

A Case Against School Choice, But Not the One You Had in Mind

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School choice theory rests on the assumption that K–12 education is a consumer good or service. The assumption is erroneous, because schooling is also a form of labor students perform for the benefit of society. Consequently, schools cannot benefit from competition the same way other industries do. However, public schooling's current monopoly is indefensible, and alternative ways of creating an educational market should be considered.

School Choice Theory

Julian R. Betts offers a clear and succinct articulation of economic school choice theory. He suggests that education, like any other good or service, is most efficiently distributed through competitive markets. Such markets become "Pareto efficient," a condition unattainable for centrally planned markets, described as follows: "no party could be made better off without making another party worse off." Betts continues: "The genius of decentralized markets is that no resources go wasted because suppliers listen closely to the needs of consumers, in this case parents."¹ The market forces inefficient suppliers to either become more efficient or go out of business.

Betts acknowledges that efficiency does not necessarily create just or equitable conditions. In response, a form of public subsidy such as vouchers may redistribute resources to benefit the less affluent, so both efficiency and equity are achieved. The second challenge to the educational markets is the heterogeneity of student needs. Not every family has the same educational needs. Again, Betts is confident that this challenge can be met by allowing the market to split into a series of small markets. In any case, some competition is going to be better than no competition.

The opponents of school choice theory doubt that markets are capable of meeting the two challenges; they also are concerned about the deregulation that may lower quality of educational services and erode the wall separating religion and the state. However, opponents share the proponents' assumption that education is a crucial consumption good; the two groups only disagree on the most efficient and just way of distributing it. Here is how the father of school choice theory Milton Friedman puts it: "Here [in education], as in other fields, competitive enterprise is likely to be more efficient in meeting consumer demand than either nationalized enterprises or enterprises run to serve other purposes."² It is important to note the explicit equating of education to a consumer good or service; in fact the whole theory of school choice rests on this assumption.

My intention is to challenge this assumption. Education may not be described as a consumer good or service, and school learning may not be described as a form of consumption, without running into irresolvable logical contradictions. This is not only a critique of school choice theory, but also of current opposition to the theory. The whole debate is irresolvable because of the false assumption in question. I offer three arguments against the assumption: (1) K–12 education is compulsory, (2) it involves a significant labor component, and (3) its returns are not linked to the price.

Schooling as (Not Really) Consumption

What makes a certain thing a consumer good, and what makes certain activity consumption? First, a consumer must want the good or service. Free will seems to be an unalienable feature of consumption, at least in a market environment. An involuntary consumption can exist as a physical act, but not as an act performed by an economic agent. For a market economy to work, consumers need to be able to exercise their will to consume, which creates the demand. To say that children want schooling would be an exaggeration of an extreme degree. One may easily show that some students want some schooling some of the time; it is impossible to show that education delivered to all students is in response to a specific

demand. Each single act of purchase of goods and services needs to meet a specific desire to consume.

We may deem a student's choice to not want schooling unwise; this does not change the economic fact that in many cases the demand is simply not there. There are other “bad” consumer choices, such as smoking, or buying lottery tickets, or not buying enough green vegetables, or not saving enough. In none of these cases do we ignore the existence or non-existence of demand. In the case of students, society does not dare to acknowledge the reality. We implausibly insist that, deep down, all students will want to learn, if we only make schools a little better.

It is often argued that school-aged children need education even though they may not want it. Parents are said to be making the informed consumer choice on behalf of their children, much like they would purchase toys, clothes, diapers, and so on. Undoubtedly, some consumer choices may be made by parents on behalf of their children. However, the specific kind of choice associated with obtaining K–12 education is not truly a choice, and it does not warrant allowing parents to exercise it. Parents of school aged children do not act in a consumer market either.

A substantial number of parents do not wish their children to complete high school. Our culture and legal system may call such a choice unwise, inappropriate, or illegal; we ostracize such parents and look down on them, but the fact is that many would like to make the unpopular choice. The claim that all parents want their children to be schooled is as untenable as the one that all students want the same; it is simply impossible to support with empirical evidence.

Moreover, there is no evidence that school-aged children are cognitively incapable of understanding the value of education. It is not the cognitive ability, but vaguely defined “maturity” that is at issue. So students are said to be incapable of making educational decisions because they are immature. The proof of immaturity is their unwillingness to go to school. The decision to stop schooling becomes impossible to make. The immaturity claim is restricted to

children and individuals with mental disabilities, but in the case of the latter, courts decide whether to deny certain rights based on evidence, while students lose their rights to choose simply by virtue of belonging to an age group. Clearly, the judgment of a chooser's competence must precede any judgment of the desirability of the choice; otherwise the very notion of choice is meaningless. Parents must not make educational choices for their children unless children are shown to be incompetent. The very fact that parents have the right to override their children's choices in education suggests a sophisticated form of coercion rather than a consumer market. It is not really the parents but the state that makes most educational choices on behalf of children, sometimes delegating its authority to parents. In effect, the practice of delegated choice creates an absurd situation: children may not drop out of schools because their parents should make such a choice, and parents may not make this decision because it would affect someone else (their children). Therefore, from both a legal and an ethical standpoint, neither party truly has the freedom to choose whether or not to attend school.

Again, one can easily demonstrate that some children and some parents desire schooling very much and are ready to pay a high price for good schooling. Can this be the proof that schooling in general does satisfy a human need? Of course not, because any number of goods may arouse desire in some and leave others indifferent. For example, just because a part of the population desires to own and use skateboards does not make skateboarding a universal desire. The state may decide that skateboarding is indeed the expression of its noblest virtues and is also good for the economy and then force all people to buy skateboards. In such a case, the same activity (buying a skateboard) may be interpreted as consumption if performed by the sport's enthusiasts, and as a form of taxation if performed by those of us who are not as "cool." There is no consistently and universally expressed desire for education; therefore, universal schooling may not be considered a form of consumption.

The second criterion of consumption is that it benefits the consumer. Let us assume that two people have met and have performed a certain act together. How do we know if any service has taken place? We should probably find out if the joint activity has benefited one

person more than the other. In a market economy, money and benefits usually flow in opposite directions. When I sit down and stare at a mirror and a barber cuts my hair, we both understand that the joint activity benefits me more than the barber; that is why I pay the barber but he does not pay me. In this case I am a consumer because I benefit from the activity more than the barber does. Now the barber may also derive from it some benefit such as entertainment from chatting with me, but on balance I receive much more than he does. Only later, when money changes hands, is the imbalance restored.

Would serving in the Army be considered a service to a soldier? While there are some benefits to the soldier, mainly educational, it is clear that the soldier is the provider of the service and the Army its consumer. For recruitment and morale boosting purposes, the Army may state the opposite, but everyone understands that this is just rhetoric. In some other cases, the distinction is less than clear. For example, a young person entering an unpaid internship is somewhere between receiving and providing a service; or, rather, the intern trades his or her service for services received and the exchange takes place outside of monetary exchange. In most cases though, it is quite clear who provides service to whom.

In schooling, students obviously contribute much to the total collective activity. But who is doing service to whom? Is it the state that provides service to a child, or the child that does service for the state? Just because we generally assume the former does not make it accurate. Benefits of schooling are not as unquestionable as conventional wisdom and economic theory lead us to believe. The methodology by which human capital theory calculates private and public returns on investment in education is deeply flawed, and skews the conventional perception in the direction of overestimating private returns and underestimating public ones. A more detailed analysis of this methodological error has been provided elsewhere,³ but a simple consideration of commonly known facts would suffice: the first thirteen years of education will place a worker almost at the very bottom of the social pyramid. Moreover, high school graduates' income has effectively dropped in the last thirty years. Or, as the Bureau of the Census gently presents it, "Real wages rose only for persons with education beyond high

school”⁴ People completing a high school education can expect to receive an average annual income of \$18,737, just shy of the federal poverty level for a family of four.⁵ At the same time, the number of high school graduates has increased significantly. It is hard to imagine that all the knowledge and skills actually diminished in economic value. The statistic demonstrates only this: much of the value has simply become public value, although it may physically reside in the individual. It shows that there is a robust mechanism of extracting the value of education from individuals without fair compensation.

Again, I won’t claim to provide here a definite proof that schooling benefits society more than it benefits students. However, no one has presented the opposite proof either; all claims to that bring to mind the Army recruiter’s exaggerations. At the very least, one should see that schooling contains two opposite streams of services. Even if students consume education to some degree, the public also consumes their services. Students produce knowledge and skills, which then are sold as a part of their labor to employers at very significant discounts, thus subsidizing industry with cheap educated labor. Therefore, schooling cannot be presented as *merely* a consumer good; what students do in schools is also a form of labor. And this labor is not as trivial as my entertaining of the barber; schooling requires thirteen years of hard, increasingly skilled, unpaid work.

It would be fairly easy to show that the ratio of service-to-student and service-by-student components varies dramatically, depending on social class. A K–12 education alone delivers a person to the bottom of the labor market; the value of it depends almost entirely on whether it has been used to obtain college and professional degrees. Considering that fewer than one-third of all Americans manage to get a college degree, the value of a high school diploma fluctuates widely from negative (forgone income and meager future earnings) to significant positive (if used to obtain higher education) value. In other words, for some students and parents schooling is a consumer good, while for others it is more like taxation in the form of required labor. Note that the argument here is similar to that about desire: schooling may be desirable for some and not for others; similarly, it benefits some while not benefiting others.

These two distinctions largely overlap, although they do not have to be identical: people may want schooling but not benefit from it, or they might not want schooling but still benefit from it. It would be safe to assume that in a great majority of cases people want what benefits them, because they are more or less rational economic agents who can calculate probable benefits and likely losses.

Why Vouchers Won't Work

We have established that schooling is not a consumer good or service if it is compulsory and universal, because neither the desire nor benefits of schooling are universal. How does this affect school choice theory? Voucher schemes only work to the extent that consumers perceive schooling as beneficial and desirable. Markets place demands on producers, but they also require extra effort from consumers. If the desire to obtain the good is not there in the first place, where will the desire to choose a better good come from? While the upper and middle classes will partake in the efficiencies of the newly created markets, lower classes are not likely to do so.


Imagine living in a Trotskyite society where you are required to participate in the labor army, which is really a form of labor tax. In addition, you are presented with the choice of which workplace you may report to for the unpaid but glorious work. A rational choice would be to select the least demanding workplace, not the one where you have to work the hardest and where your labor is used most efficiently. That is exactly how American underclass will react to school choice, not because of any cultural or moral deficiencies, but because to them schooling is not a consumer good or service; it is a labor service they provide to the society without receiving much in return.

The claim that the poor may not want an education may appear prejudiced. However, I am not offering another iteration of the culture deficit model. Poor people show a weaker demand for education not for cultural reasons, but because of their economic condition. Since returns from schooling are variable, one would be wise to estimate one's chances of getting higher returns. Because the game is fixed (substandard schooling and low levels of social

capital), the odds of getting any return on investment of school labor can also vary: from one in one for the upper class, to one in ten thousand for the lower class. If those were two lotteries, would you be surprised if the first one sold much better than the second?

Problems with Public Schooling

Just because education is so vital to the contemporary economy does not mean we can continue taxing the poor indefinitely. There are serious problems with the existing public schooling arrangement; these problems will not be solved by improving what is a fundamentally flawed system. Some of these problems are correctly identified by school choice theory: the government has no need or right to establish a monopoly on schooling. It has an interest in equalizing access to education and in improving its quality, but no business running schools. Such a monopoly is expensive, inefficient, and infringing on liberty.

However, another problem of public schooling has been entirely missed by the voucher theorists as well as by their opponents. Lower-class students cannot demonstrate sufficient effort and cannot provide efficient labor because of their economic condition, not because of immaturity, or prejudice, or moral failings, or unequal school funding. We need to recognize that, when it comes to education, the wealthy and the poor participate in two completely different economic systems. They look somewhat similar, but one is the consumer market, while another is labor taxation. This fact, and not a culture of poverty or the bell curve,  or other exotic theories explain the dramatic and widening gap in educational achievement.

Like Latin American haciendas, K–12 education has been dependent on cheap labor. Cheap labor (or, in this instance, free labor) is a terrible gift for any industry, because it makes the industry utterly inattentive to how the labor is used. It stifles innovation and encourages waste of labor resources. All the energy of a hacienda-centered economy is used to keep the labor abundant and cheap by any means available.⁶ The same has happened to public schooling: over the years, students saw increasing legal pressure to attend schools and extensive curtailing of their personal and property rights. From a separate court system to folk tales about “the adolescent brain,” the attempts to force students into schools take on the urgency of a national

obsession. As Latin American economic history shows, such attempts are ultimately misguided. Cheap labor cannot make an industry efficient in the long run; only competition for scarce labor breeds innovation.

One of the most serious problems of current public schooling is the curriculum. The school curriculum now is haphazardly established without any real feedback about what knowledge, skills, and dispositions are actually used in the economy, the social sphere, and political life. In a knowledge-based economy and complex multicultural society, a rational curriculum cannot be established using the methods of a Soviet-style planned economy. Every year we deposit billions of bits of information into children's brains without having any idea about which ones and how many are really needed and which ones will go to waste. To explain away the horrid inefficiencies of curricula development, educational theorists keep coming up with different versions of a broad skill development model. The model assumes that learning higher order mental skills such as synthesis and analysis is independent of the material learned. The material or content need not be relevant. But why can't I learn the same skills on more relevant materials? The truth is that we simply do not know what sort of knowledge people use in their everyday lives at work, at home, and in the public sphere. All the curricular standards are results of creative writing, not research. So we keep producing all this knowledge in all these young brains, hoping some of it might be somewhat useful or enjoyable. This is what a centrally planned economy does. Any central planning authority fails to gain the minute, detailed knowledge of demand; in a market economy, such knowledge is distributed among millions of individual agents. The information on both demand for milk and demand for knowledge can only effectively exist in a distributed form.

Another Kind of Market

To change the educational economy for the poor, society must do the only fair and logical thing: pay them for their labor. There is a number of interesting experiments in Mexico and Brazil (the programs are called "Progresas" and "Bolsa Escola," respectively) where poor families receive payments if their children attend school and undergo regular medical check-

ups.⁷ The results are very promising, and I fail to see why a similar scheme would not work in the United States and other developed countries. The rationale for these policies is that families are not likely to pull children out of schools if their presence in schools brings income to the family. If this sounds like a good progressive policy, consider that Newt Gingrich has recently come up with a similar proposal for American inner cities: "I'm looking for a foundation that will go into the poorest neighborhoods to pay students to study math and science, someone who will pay more than McDonald's."⁸ The political agendas of Gingrich and Mexico and Brazil may be different, but their economic reasoning is the same. For a poor family, sending children to school competes with other pressing economic needs. These are only baby steps towards a real learning market. A much more sophisticated system is needed.

Instead of creating a consumer market to meet a nonexistent demand, we need to create a working labor market to replace coercive practices of schooling. The state must tax the users of educated work (both employers and workers) and pay learners directly for gaining specific bodies of knowledge. It will be up to learners to decide what kind of knowledge they are interested in obtaining and for what compensation. Learners will also decide whether they need someone else, a teacher or consultant, to help them gain that knowledge, and they will determine in what form such help might be obtained. It is conceivable that a learner will attend something resembling a regular school that can guarantee the discipline and regular learning process to bring modest, but steady income. Of course, the school would take away a significant part or all of the student's earnings. It is also plausible that some families will find a way to home-school their children to keep most of the learner's income in the family. Most likely, learners will construct a combination of independent and organized learning. It is also possible that some children will find gainful employment without much education at all, for the hypothetical learning market system will compete for labor with other industries.

The entire K-12 industry will undergo cardinal transformations. The discipline of the market will force its teaching function to shrink significantly while simultaneously expanding its assessment function. While the same or more knowledge can be produced with a much

leaner teaching force, the public will demand increasingly sophisticated assessments to ensure that learners are paid only if they show evidence of learning. Teaching will become a service profession; only those who need and want teaching will receive it.

Some resources should also be allocated to the creation and maintenance of the knowledge and skill market. The body of knowledge and skills worth learning should be flexible, fluid, and self-organizing. The society must find a way of sending finely tuned signals about the use of specific knowledge to the educational system. For example, let us assume that in any given month, one million American workers used mathematical reasoning to perform their jobs, while one hundred million used basic reading comprehension skills. All these people and their employers will pay toward the mathematics skill fund and the reading fund. So many billions of dollars attached to specific skills will be available for all willing students to bid on. The demand for knowledge will play against the supply of student labor. The system will weed out unnecessary learning, and improve the quality of the necessary learning.

The National Science Foundation, Coca-Cola, the Catholic Church, and the U.S. Congress, among other groups, should all have an equal right to pay students to learn content they deem important. Depending on how much money is available to learn, say, calculus, or the Declaration of Independence, or the Ten Commandments, and how many students at any given moment want to learn it, the payment for each learning unit will be established. Of course, governments of all levels will be the largest consumers of learning, but they should compete for the limited numbers of learners with other private and public bodies. It is likely that some knowledge will only be consumed for the learner's enjoyment, and the learners will learn for free or pay to learn.


Milton Friedman tried to explain why his idea of vouchers had not emerged at the beginning of the American public schooling system. His guess was that it was technically impossible to administer.⁹ He is probably right; a voucher system requires some database management capabilities. What I propose is a much more complex system that has only become

possible very recently with an advent of web-interfaced databases. Of course, this is very far from a technical proposal. However, it does not hurt to mention that it is technically feasible.

One overwhelming concern of early public educators such as Horace Mann was cultural unity. The major rationale for the common schools reform was not economic, but political and cultural. The republic needed its voters to read election pamphlets and its immigrants to become Americanized. Thus the common curriculum seemed to be paramount. However, these concerns are not as pressing anymore, because mass media does a much better job of cultural cohesion than education has ever done. While it may still be argued that some basic national mythology should be taught to all children, one would be hard pressed to show that the entire K–12 curriculum should be common. Neither political, nor cultural justifications for a common curriculum can be found.

Conclusion

Presenting schooling as a universally desired consumer good is a reflection of an ideal, not of reality. That is what we wish should happen, and when it does not, we look for someone to blame. We think either that people who do not want schooling are deficient or that the schools are deficient because some people do not want them. Both of the explanations can be marginally true, but one does not have to look hard to see that the assumption is far-fetched to begin with. If we abandon the utterly unrealistic expectations that all children will like school some day, we can move forward to other solutions. We need children to learn; let's just stop pretending that they all want to do it.

1. Julian R. Betts, "School Choice as a Remedy for America's Public Schools: Promising Theories Sail into the Empirical Fog" (paper presented at the annual conference of the National Academy of Education, Boulder, Colo., October 2001 .
2. Milton Friedman, *Capitalism and Freedom* (Chicago: The University of Chicago Press, 1962), 91.
3. Alexander M. Sidorkin, "Human Capital and the Labor of Learning: A Case of Mistaken Identity," *Educational Theory* 57, no. 2 (2007): 159–70.

4. Bureau of the Census, *More Education Means Higher Career Earnings* (Washington, D.C., 1994), http://www.census.gov/aprd/www/statbrief/sb94_17.pdf, 2.
5. U.S. Department of Health and Human Services, *The 2004 HHS Poverty Guidelines* (2006), <http://aspe.hhs.gov/poverty/04poverty.shtml>.
6. Duncan Aikman, *All-American Front* (New York: Doubleday, 1940), 45–57.
7. See, for instance, Cristovam Buarque, *Bolsa Escola: Bridging Two Worlds*, <http://siteresources.worldbank.org/INTCL/Resources/SPpectrumBolsaEscola.pdf>
8. Eric Krangel, “At New School, Gingrich Calls For ‘New Dialogue’ on Poverty,” *The New York Sun*, September 14, 2006, <http://www.nysun.com/article/39654>.
9. Friedman, *Capitalism and Freedom*, 97.