

EDUCATION and the MARKET



OSCAR W. COOLEY

WHEN MY WIFE sends me to the supermarket to buy groceries, I pay for what I get and get what I pay for. The price of each item purchased is known to me and I agree to it. This is an exchange between two parties, each of whom knows exactly what he is getting and what he is giving up.

How different is the case with respect to the services of government! I use the public streets and roads, send my children to the public schools, am protected, presumably, by the local police and firemen and by the national armed forces. And periodically I pay taxes, or suffer them to be taken from me, either directly or indirectly (according to the Tax Foundation a third of my taxes are hopelessly hidden from sight in the prices of things I buy). Government services seldom are priced so that I pay for what I get or get what I pay for. How, then, am I

to know whether I am getting my money's worth?

At the supermarket I can inspect each article, note the price, and decide whether it is a desirable purchase. My decision to buy a certain article signals the store manager to continue to stock it and the manufacturer to make more of it. My adverse decision, on the other hand, is a sign that the quality or design needs to be improved, the price lowered, or both. Thus, the production of food is "price-guided." Alas, there is no similar guide for the production of most government services.

It is true that market pricing might be difficult, if not impossible, for services such as police protection or court procedures. But this pricing difficulty does not apply to many others in the continually growing list of tax-supported services.

When we examine a specific example, such as elementary schools, we find that the enterprise was

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originally socialized, not because of a technical difficulty of pricing but because of the fear that, if the "goods" were openly priced and freely offered in the market, the consumers might not "buy" them. Education, it was argued, is a good of which everyone should partake, if not for his own sake, then for "society's" sake. Those who thus reason are not willing to leave to the individual consumer the question of whether he should buy education, what kind, and how much. While they talk democracy, they practice paternalism.

The Market Is Disappearing

This has long been the philosophy with respect to elementary and secondary education; increasingly it is being applied to college education. The press recently reported the case of 18-year-old Nancy Pass of Mississippi. Nancy wanted to go to the state university to study art, but her mother, who is divorced and living on payments from the father, felt that she could not afford this. The Supreme Court of Mississippi ruled that the father must increase his support payments by \$90.00 a month to enable Nancy to go to college. Said Justice James G. Holmes: "College education is the duty which the parent not only owes to his child but the state as well."¹

¹ *Newsweek*, April 4, 1960

Once this theory is accepted, it would appear only a matter of time until all intellectually qualified youngsters will be required to go to college. Increasingly, through education subsidies to veterans, easy government loans, and abundant scholarships, students and their parents are being relieved of the responsibility to pay for what they get in college. In short, the market in education is disappearing.

If we do not pay for what we get in education, have we any assurance that we shall get what we pay for? Once the market is destroyed — once getting is divorced from paying — there is really no way of comparing what one pays with what one gets.

Assume that this trend continues and that fifty years hence all American colleges and universities are socialized. John Smith's two boys will go to college (compulsory attendance) where they will enjoy free tuition, free books, free board and room — "free" everything. It is then likely that more than half of John's income will be taken in taxes, direct and indirect; and part of this take — nobody will be able to say just how much — will go to help pay the cost of running the government-owned colleges.

The colleges will be standardized, since all will have to meet

uniform government specifications. There will be no incentive for one institution to be different from another since all will depend, not upon attracting students who pay their own way, but upon government appropriations. Hence, the John Smiths will have little if any basis for choosing one school rather than another — even if they are still permitted a choice. If the colleges do not teach what John Smith thinks ought to be taught, there will be nothing he can do — except write to his congressman.

The teachers and administrators also will have little choice. They will not need to produce education which satisfies students and parents; rather they will have to please bureaucrats and politicians. They will be civil servants, as the post office employees now are. They will not be responsible, except in an indirect and circuitous way, to those who use their services.

Who can believe that the quality of higher education would be improved by such a change? Unfortunately, we are moving in this direction.

Bargaining and Alternatives

The quality of any good or service depends on the relationship which prevails between producer and consumer. In a voluntary transaction, the producer must

satisfy the consumer as to both quality and price, or else lose the sale; and the consumer in turn must satisfy the producer by paying an amount sufficient to keep him from turning his energies to some other field of production.

Both producers and consumers have alternatives. This is what gives them bargaining power — this is what makes a market.

Rather than suppressing the market, we should be perfecting it — freeing it, making more use of the principle of exchange. Rare, it seems, is the worker who understands the disadvantage of receiving part of his wages in “fringe benefits,” who perceives that a cash dollar he can spend freely in the market is worth more than a dollar in any other form. The vogue of trading stamps further demonstrates how little we appreciate spendable cash over merchandise premiums. Money, after all, is a great invention; why not use it?

Albert S. J. Baster in *The Little Less*² says: “The depravity of taste in modern capitalistic societies is not due to the fact that life is over-commercialized but to the fact that life is not commercialized enough.” We suffer not from too much but too little marketing. Consumers do not take the trouble to inform themselves of the “buys” that are available, and producers are not

² London: Methuen, 1947. p. 124.

sufficiently aware of the alternative outlets for their energies and resources. The consumer relies on a Federal Trade Commission to protect him, while the worker reclines naively in the arms of his union officials. The consumer does not know what he is getting, nor does the producer know his opportunity costs.

When a new need arises, like the present need for more and better education, many turn to government to satisfy the need. Anyone who suggests that consumers can get better schools and colleges more quickly by digging down deep in their pockets and paying for them, directly and forthrightly, is considered a social antiquarian.

There Are Ways To Be Free

Supposedly, many young people are unable to pay the cost of college attendance. But the record shows that boys and girls from poor families have secured a college education, and some are doing it today. More could, if their parents were not taxed so heavily.

Many, lacking cash, have used

their credit. Any young man or woman with the physique and mentality to do college work has great potential earning power. A loan to enable such a youth to attend college would seem to be a productive loan, even in the banker's sense of that term. If the youth cannot provide tangible security for such a loan, he surely can secure it with the signature of a parent or other relative. Where are the bankers who presumably want to preserve and strengthen the market economy? Here is a way in which they can well use their talents and resources to that end.

Higher education may be the most favorable field in which to halt the socializing trend. Private institutions are still operative in this field. Let private enterprise stand firm in the colleges and universities and youth will be enlisted in the cause of freedom. It should not be difficult for universities and colleges that are dedicated to freedom of thought to teach the value of freedom of action. But they must practice what they preach. And they must restore the market in education. ♦

IDEAS ON LIBERTY

John Stuart Mill

THE ONLY FREEDOM which deserves the name, is that of pursuing our own good in our own way, so long as we do not attempt to deprive others of theirs, or impede their efforts to obtain it.

BEHIND THE CONSTITUTION

MOST Americans have heard, at some time or another in their lives, that a seventeenth century English gentleman named John Locke had something to do with inspiring the colonists who made the Revolution of 1776. He said something – did he not? – about the natural rights of every man to life, liberty, and property, and something about civil government being instituted to protect people in these rights. Jefferson, to be sure, dropped the word “property” from the Declaration of Independence, substituting for it a vaguer and more grandiloquent phrase, “the pursuit of happiness.” Nevertheless, the Jeffersonian insistence on unalienable rights was straight out of the “party line of the American Revolution” as Samuel Adams and other patriots had lifted it from Lockean pamphleteering.

The conventional view of Locke, then, is that he was the first great formulator of limited government theory. In a sumptuous book called *The Christian History of*

the Constitution of the United States of America,¹ this view is sustained by the commentary on Locke that is printed along with Locke's own second treatise or *Essay on Civil Government*, the essay itself being offered, with a pleasant gesture to antiquity, in the original type, spelling, and italics used in 1690. Reading through the essay, with its quaint small s's that look like f's, one sees no reason to quarrel with the idea that Locke, along with Montesquieu (also reprinted in *The Christian History*) was right behind James Madison in giving us the republic that Ben Franklin hoped we could keep. But when one picks up Willmoore Kendall's *John Locke and the Doctrine of Majority-Rule* (University of Illinois Press, 141 pp., \$2.50), in which all the accepted views of Locke are turned

¹ Volume I, “The Development of Self-government.” Introduction by Felix Morley; compiled by Verna M. Hall; edited by Joseph Allan Montgomery. The American Christian Constitution Press, 210 Post Street, San Francisco 8, California. 436 pp. \$7.50. Available September.