George Shultz used to say that people loved to argue with Milton Friedman, especially when he was not there. I am going to do exactly that, argue with Milton when he is not in our midst anymore. I would have loved to hear his views about the remarks I am going to make on his idea of education vouchers.

My criticism does not take a whit from my admiration of him: he was my master at-a-distance through his books and articles on microeconomics, on consumption theory, on money, on inflation, on expectations—you name it. Indeed I am attracted to the idea of school vouchers and have been known to defend them, but I think they are only a "second best" remedy for the failings of school systems where the state plays a large role.

By "second best" I mean the kind of engineered solution that tries to take a way around some immovable legal or institutional restriction that makes the best solution unattainable. In the case of education the first best is, surprising though it may sound, totally private education, supplied by for-profit schools and financed by families and charities. This would not only be better for individual liberty and public morality but also surprisingly feasible if we attend to educational history and present day experience, as we shall see. The example of developing nations, where private education has proved to be vastly superior to public education, especially for the poor, should make us think twice about any statist intervention education.

The restriction that makes this first best of totally private school systems look unattainable is the secular practice of having sovereign authorities meddle in all the dimensions of schooling. The dogma that education must be intervened, managed, and directed by the authorities is so ingrained in the West that it seems impossible even to think of totally private schooling systems financed by families with no public subsidies.
Government intervention has resulted in making education the most backward of the major industries in the West from a technical point of view, "because it is a socialist enterprise controlled by a monopoly." An added perverse effect of such relentless interventionism has been the under-education of the poorest and less gifted in our midst, thus increasing the division of our societies and indeed of the world into "skilled and highly schooled haves versus unskilled and poorly schooled have-nots". If Government intervention in education is is here to stay, despite its disastrous consequences, then some kind of second best remedy would be called for and this remedy, said Friedman, is school vouchers.

**Government and education**

Friedman proposed the idea of school vouchers in his best-selling book *Capitalism and Freedom* (1962). He started by distinguishing three possible points of public intervention in education: requiring schooling, financing schooling, and administering schools. A case could be made "both for the impositions of a minimum required level of schooling and the financing of this schooling by the state". However, having government administer schools and in effect nationalizing part of the education industry did not follow from the other two and could not be justified.

A strong case can be made to oblige parents to have their children properly taught to a certain level. It was defended by no less an individualist than John Stuart Mill, as early as 1848. The reasons Mill gave are interesting because they have been taken up by most defenders of public schooling. Mill thought that education was an instance of the consumer often being an incompetent judge of its worth and therefore an exception to the principle of *laissez faire*. When parents are unschooled, how can they appreciate the advantages of education? Hence, the Government could "impose on parents the legal obligation to give elementary instruction to children." Mill then proceeded to make an apparently commonsensical remark: that the common wages of unskilled labor could not bear the full cost of such an education—a remark on which I will throw some doubt later on. His conclusion was that the government should make sure that such elementary education be supplied free or at trifling expense. Mill however stopped short of having the State be the main or sole provider of education. At most, the State could enter into free competition with private schools, but it should not prescribe the content of school programs, for this would be a danger for public liberty. "A government which can mold the opinions and sentiments of the people from their youth upwards, can do with them whatever it pleases". At most, Governments should concentrate on guaranteeing the quality of education by setting up public examinations at regular intervals of a child's life.
This was Friedman's position, expressed in words of a century later. The principle was that parents should be able to choose the kind of education they want their children to receive. They could send them to a free public school financed by taxes. If they preferred a fee-paying school and did not have sufficient means, they should be granted government help. The distinguishing point in Friedman's scheme was that this help should come in the form of a voucher given to the parents rather than a subsidy granted to the school. "Parents who choose to send their children to private schools would be paid a sum equal to the estimated costs of educating a child in a public school", if the school of their choice was an approved one. Friedman added a further detail: parents could add money of their own to the voucher if they so chose.

The positive effects of this scheme would be mainly felt on the supply side of education. Public schools, though financed by tax money, would feel the pressure of competition from voucher funded private schools, where parents could as easily send their children. On their part, private schools would be in competition not only with the best public schools but also with for-profit establishments, as parents of all classes could top up vouchers with their personal money to pay for innovation.

The state of schools
The idea of having the State guarantee that all citizens are schooled to a minimum level is appealing but has up to now proved to be unattainable in most countries. Public democratic education has failed those who most need it. In most advanced democracies a whole underclass leaves school early, is functionally illiterate, and is incapable of the simplest calculations.

The main source for comparing educational attainment in the world is the OECD, especially the statistics gathered under the PISA program. The acronym stands for "Program for International Student Assessment", whereby the capacities of fifteen year-olds in reading, mathematics, and science are tested every three years in more than seventy countries. The scheme is praiseworthy and gathers much interesting information about different school systems around the world and their achievements and failings. I would like to underline some traits that do not necessarily stand out in the PISA studies but are relevant for voucher systems such as that proposed by Friedman.

In many advanced countries, especially those with an ethnically diverse population, PISA shows that a considerable proportion of fifteen year-olds drop out of school and many fail to get a job. Some countries showed low dropout rates in 2009, such Nordic Denmark with 2.9% or central European Poland with 3.6%. But many of the more advanced countries are
afflicted by higher rates, such as the United States with 8.8%, the United Kingdom with 9.6%, and Spain with no less than 13.4%. In the United States, close to 30% leave school without a high school certificate.

However these statistics of young people graduating from school say too little about the baggage they have acquired during their long years of education. The percentage of pupils with poor reading results (in effect functional illiteracy) was 19% on average in the European Union countries in 2009, with the United Kingdom and Germany at 18% and Spain and France at 20%. The gap separating high and low achievers at school in the US is as worrying as in Europe. In America there is a clear difference between white and Asian students on the one hand and black and Hispanic students on the other, with a steady percentage of underachievers impervious to measures taken to reduce this gap. Again, around one fifth of American adults find it difficult to get information from printed materials.6

Public schools in America and in many other countries, from New Zealand to the United Kingdom and from Chile to Canada, suffer from evident shortcomings. This explains the spreading across many nations of a movement to supplement them with "schools of choice" or charter schools that are in whole or in part publicly financed but are less subject to regulation than their public peers. This movement has been beneficial, but the Friedmans were right to say that charter schools are a very limited step in the right direction; they are still part of the State system and by forcing them to be not-for-profit they lack the dynamism of private enterprise.7

In sum, despite all the advances, public education systems in diversified societies8 have proven to be highly unsatisfactory, especially for supplying low level education to those most in need of bettering their human capital.

**Education (and health) vouchers in Sweden**

The public education system of Sweden underwent what many would call a revolutionary transformation in the 1980s and 90s with the introduction of school vouchers. The change was extraordinary for a country famed for its socialist Welfare State, all the more so because the Health Service also moved from central planning to vouchers.

The whole change started with public dissatisfaction with the incapacity of the public school system to attend to the demand for nursery education. Education is a municipal service in Sweden under State supervision. First a venture was started at Pysslingen to offer this pre-school service, and after a great struggle it was able to open its doors. Then the inhabitants of a small village called Drevdagen turned the local school into an independent establishment. In 1993 the non-Socialist Government of Carl Bildt...
reached a compromise with the Social-Democrats to launch the school voucher scheme. Vouchers collected by private schools were worth 85% of the average per head cost at municipal schools. Though families could not top up the education vouchers with additional money, greater efficiency allowed many private schools to make a profit. The main addition to the usual voucher scheme was that municipal schools also had to compete for vouchers or face closure. School choice reigned. 

The same voucher competition scheme was introduced for hospitals and clinics in Sweden and private for-profit corporations flourished and spread to the Continent of Europe. Only brain and heart surgery departments were kept in the public sector due to resource scarcities.

But there always is a serpent in Paradise. The well-educated young of immigrant parents find no work after leaving school! The two previously quiet locations of Rinkeby and Husby have been rent by riots. So, even the voucher system becomes a third best when a new institutional restriction is added: in this case, ethnic concentration and no jobs. (FT, 25-26 May 2013)

The beautiful tree
The web site of the Friedman Foundation for Educational Choice is well worth a visit to gauge the spread variety of the voucher scheme in America. A further step would be to apply the Swedish idea that public high schools should also be financed by vouchers handed them by the parents. So, what is my complaint about Friedman’s version of school choice?

Let me take the education industry at the other end. In countries such as Nigeria, Zimbabwe, Ghana, India, and China there are flourishing private, for-profit schools that cater to the poor, the miserably poor. The story is told by James Tooley in his enchanting book The Beautiful Tree: A Personal Journey into How the World’s Poorest People Are Educating Themselves. Tooley was sent by an international organization to study educational systems in Africa. He was told by local officials that the only private schools there catered to the rich. But then he discovered two things. One was that the State schools financed with international aid were a scandal of corruption and inefficiency; the other was that the miserably poor families in the slums chose to take their children to private enterprise establishments. The premises were cramped. They had to pay whatever they could afford. But in desperate cases the owner granted them a scholarship. The teachers did not miss a class; there was discipline in the classroom; their children were
taught what would serve them in later life.

In the West we have been corrupted by entitlements. Mill was wrong when he said that unschooled parents could not appreciate the advantages of education. It is the poor who know that good schooling is the only way to a better life.

References


Footnotes

1. Friedman (1998), pg. 349.

2. Friedman first mooted the idea of educational vouchers in his (1955) essay, later rewritten as ch. 6 of Capitalism and Freedom.

3. Mill (1848), pages 948-9. Also available online at http://www.econlib.org/library/Mill/mIP73.html#Bk.V,Ch.X


5. See also Mill's On Liberty, ch. V.

6. Wikipedia "Education in the United States"

7. Friedman and Friedman, Two Lucky People, pages 349-50.

8. Finland is a contrary example that bears more study. Its school system is exclusively public, is thoroughly uniform, centrally organized and gives excellent results. The homogeneous character of that country makes such statism easier to apply than in ethnically and culturally more diverse countries.


10. The Friedman Foundation for Educational Choice
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