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INTRODUCTION

Ever since the first settlement of Europeans in the New World America has been a magnet for people seeking adventure, fleeing from tyranny, or simply trying to make a better life for themselves and their children.

An initial trickle swelled after the American Revolution and the establishment of the United States of America and became a flood in the nineteenth century, when millions of people streamed across the Atlantic, and a smaller number across the Pacific, driven by misery and tyranny, and attracted by the promise of freedom and affluence.

When they arrived, they did not find streets paved with gold; they did not find an easy life. They did find freedom and an opportunity to make the most of their talents. Through hard work, ingenuity, thrift, and luck, most of them succeeded in realizing enough of their hopes and dreams to encourage friends and relatives to join them.

The story of the United States is the story of an economic miracle and a political miracle that was made possible by the translation into practice of two sets of ideas—both, by a curious coincidence, formulated in documents published in the same year, 1776.

One set of ideas was embodied in *The Wealth of Nations*, the masterpiece that established the Scotsman Adam Smith as the father of modern economics. It analyzed the way in which a market system could combine the freedom of individuals to pursue their own objectives with the extensive cooperation and collaboration needed in the economic field to produce our food, our clothing, our housing. Adam Smith's key insight was that both parties to an exchange can benefit and that, *so long as cooperation is strictly voluntary*, no exchange will take place unless both

parties do benefit. No external force, no coercion, no violation of freedom is necessary to produce cooperation among individuals all of whom can benefit. That is why, as Adam Smith put it, an individual who "intends only his own gain" is "led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good."¹

The second set of ideas was embodied in the Declaration of Independence, drafted by Thomas Jefferson to express the general sense of his fellow countrymen. It proclaimed a new nation, the first in history established on the principle that every person is entitled to pursue his own values: "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights; that among these are Life, Liberty, and the pursuit of Happiness."

Or, as stated in more extreme and unqualified form nearly a century later by John Stuart Mill,

The sole end for which mankind are warranted, individually or collectively, in interfering with the liberty of action of any of their number, is self protection. . . . [T]he only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others. His own good, either physical or moral, is not a sufficient warrant. . . . The only part of the conduct of any one, for which he is amenable to society, is that which concerns others. In the part which merely concerns himself, his independence is, of right, absolute. Over himself, over his own body and mind, the individual is sovereign.²

Much of the history of the United States revolves about the attempt to translate the principles of the Declaration of Independence into practice—from the struggle over slavery, finally settled by a bloody civil war, to the subsequent attempt to promote equality of opportunity, to the more recent attempt to achieve equality of results.

Economic freedom is an essential requisite for political freedom. By enabling people to cooperate with one another without

coercion or central direction, it reduces the area over which political power is exercised. In addition, by dispersing power, the free market provides an offset to whatever concentration of political power may arise. The combination of economic and political power in the same hands is a sure recipe for tyranny.

The combination of economic and political freedom produced a golden age in both Great Britain and the United States in the nineteenth century. The United States prospered even more than Britain. It started with a clean slate: fewer vestiges of class and status; fewer government restraints; a more fertile field for energy, drive, and innovation; and an empty continent to conquer.

The fecundity of freedom is demonstrated most dramatically and clearly in agriculture. When the Declaration of Independence was enacted, fewer than 3 million persons of European and African origin (i.e., omitting the native Indians) occupied a narrow fringe along the eastern coast. Agriculture was the main economic activity. It took nineteen out of twenty workers to feed the country's inhabitants and provide a surplus for export in exchange for foreign goods. Today it takes fewer than one out of twenty workers to feed the 220 million inhabitants and provide a surplus that makes the United States the largest single exporter of food in the world.

What produced this miracle? Clearly not central direction by government—nations like Russia and its satellites, mainland China, Yugoslavia, and India that today rely on central direction employ from one-quarter to one-half of their workers in agriculture, yet frequently rely on U.S. agriculture to avoid mass starvation. During most of the period of rapid agricultural expansion in the United States the government played a negligible role. Land was made available—but it was land that had been unproductive before. After the middle of the nineteenth century land-grant colleges were established, and they disseminated information and technology through governmentally financed extension services. Unquestionably, however, the main source of the agricultural revolution was private initiative operating in a free market open to all—the shame of slavery only excepted. And the most rapid growth came after slavery was abolished. The millions of immigrants from all over the world were free to work

for themselves, as independent farmers or businessmen, or to work for others, at terms mutually agreed. They were free to experiment with new techniques—at their risk if the experiment failed, and to their profit if it succeeded. They got little assistance from government. Even more important, they encountered little interference from government.

Government started playing a major role in agriculture during and after the Great Depression of the 1930s. It acted primarily to restrict output in order to keep prices artificially high.

The growth of agricultural productivity depended on the accompanying industrial revolution that freedom stimulated. Thence came the new machines that revolutionized agriculture. Conversely, the industrial revolution depended on the availability of the manpower released by the agricultural revolution. Industry and agriculture marched hand in hand.

Smith and Jefferson alike had seen concentrated government power as a great danger to the ordinary man; they saw the protection of the citizen against the tyranny of government as the perpetual need. That was the aim of the Virginia Declaration of Rights (1776) and the United States Bill of Rights (1791); the purpose of the separation of powers in the U.S. Constitution; the moving force behind the changes in the British legal structure from the issuance of the Magna Carta in the thirteenth century to the end of the nineteenth century. To Smith and Jefferson, government's role was as an umpire, not a participant. Jefferson's ideal, as he expressed it in his first inaugural address (1801), was "[a] wise and frugal government, which shall restrain men from injuring one another, which shall leave them otherwise free to regulate their own pursuits of industry and improvement."

Ironically, the very success of economic and political freedom reduced its appeal to later thinkers. The narrowly limited government of the late nineteenth century possessed little concentrated power that endangered the ordinary man. The other side of that coin was that it possessed little power that would enable good people to do good. And in an imperfect world there were still many evils. Indeed, the very progress of society made the residual evils seem all the more objectionable. As always, people took the favorable developments for granted. They forgot the danger to

freedom from a strong government. Instead, they were attracted by the good that a stronger government could achieve—if only government power were in the "right" hands.

These ideas began to influence government policy in Great Britain by the beginning of the twentieth century. They gained increasing acceptance among intellectuals in the United States but had little effect on government policy until the Great Depression of the early 1930s. As we show in Chapter 3, the depression was produced by a failure of government in one area—money—where it had exercised authority ever since the beginning of the Republic. However, government's responsibility for the depression was not recognized—either then or now. Instead, the depression was widely interpreted as a failure of free market capitalism. That myth led the public to join the intellectuals in a changed view of the relative responsibilities of individuals and government. Emphasis on the responsibility of the individual for his own fate was replaced by emphasis on the individual as a pawn buffeted by forces beyond his control. The view that government's role is to serve as an umpire to prevent individuals from coercing one another was replaced by the view that government's role is to serve as a parent charged with the duty of coercing some to aid others.

These views have dominated developments in the United States during the past half-century. They have led to a growth in government at all levels, as well as to a transfer of power from local government and local control to central government and central control. The government has increasingly undertaken the task of taking from some to give to others in the name of security and equality. One government policy after another has been set up to "regulate" our "pursuits of industry and improvement," standing Jefferson's dictum on its head (Chapter 7).

These developments have been produced by good intentions with a major assist from self-interest. Even the strongest supporters of the welfare and paternal state agree that the results have been disappointing. In the government sphere, as in the market, there seems to be an invisible hand, but it operates in precisely the opposite direction from Adam Smith's: an individual who intends only to serve the public interest by fostering government

intervention is "led by an invisible hand to promote" private interests, "which was no part of his intention." That conclusion is driven home again and again as we examine, in the chapters that follow, the several areas in which government power has been exercised—whether to achieve security (Chapter 4) or equality (Chapter 5), to promote education (Chapter 6), to protect the consumer (Chapter 7) or the worker (Chapter 8), or to avoid inflation and promote employment (Chapter 9).

So far, in Adam Smith's words, "the uniform, constant, and uninterrupted effort of every man to better his condition, the principle from which public and national, as well as private opulence is originally derived," has been "powerful enough to maintain the natural progress of things toward improvement, in spite both of the extravagance of governments and of the greatest errors of administration. Like the unknown principle of animal life, it frequently restores health and vigour to the constitution, in spite, not only of the disease, but of the absurd prescriptions of the doctor."³ So far, that is, Adam Smith's invisible hand has been powerful enough to overcome the deadening effects of the invisible hand that operates in the political sphere.

The experience of recent years—slowing growth and declining productivity—raises a doubt whether private ingenuity can continue to overcome the deadening effects of government control if we continue to grant ever more power to government, to authorize a "new class" of civil servants to spend ever larger fractions of our income supposedly on our behalf. Sooner or later—and perhaps sooner than many of us expect—an ever bigger government would destroy both the prosperity that we owe to the free market and the human freedom proclaimed so eloquently in the Declaration of Independence.

We have not yet reached the point of no return. We are still free as a people to choose whether we shall continue speeding down the "road to serfdom," as Friedrich Hayek entitled his profound and influential book, or whether we shall set tighter limits on government and rely more heavily on voluntary cooperation among free individuals to achieve our several objectives. Will our golden age come to an end in a relapse into the tyranny and misery that has always been, and remains today, the state of most

of mankind? Or shall we have the wisdom, the foresight, and the courage to change our course, to learn from experience, and to benefit from a "rebirth of freedom"?

If we are to make that choice wisely, we must understand the fundamental principles of our system, both the economic principles of Adam Smith, which explain how it is that a complex, organized, smoothly running system can develop and flourish without central direction, how coordination can be achieved without coercion (Chapter 1); and the political principles expressed by Thomas Jefferson (Chapter 5). We must understand why it is that attempts to replace cooperation by central direction are capable of doing so much harm (Chapter 2). We must understand also the intimate connection between political freedom and economic freedom.

Fortunately, the tide is turning. In the United States, in Great Britain, the countries of Western Europe, and in many other countries around the world, there is growing recognition of the dangers of big government, growing dissatisfaction with the policies that have been followed. This shift is being reflected not only in opinion, but also in the political sphere. It is becoming politically profitable for our representatives to sing a different tune—and perhaps even to act differently. We are experiencing another major change in public opinion. We have the opportunity to nudge the change in opinion toward greater reliance on individual initiative and voluntary cooperation, rather than toward the other extreme of total collectivism.

In our final chapter, we explore why it is that in a supposedly democratic political system special interests prevail over the general interest. We explore what we can do to correct the defect in our system that accounts for that result, how we can limit government while enabling it to perform its essential functions of defending the nation from foreign enemies, protecting each of us from coercion by our fellow citizens, adjudicating our disputes, and enabling us to agree on the rules that we shall follow.

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 *un*education, 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."¹

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."³ 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."⁴ The most famous crusader for free schools was Horace Mann, "the father of American public education," as he is termed in the *Encyclopedia Britannica* article on his life.⁵ 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."⁶ 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."⁷ 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."⁸ 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. "[U]nder 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 1891.⁹ 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 Gammmon 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!*¹²

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.¹⁴

The situation is worst in the inner cities of the larger metro-polises—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.¹⁴

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."¹⁵ 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.¹⁷

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"¹⁸—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 demigrate 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.¹⁹

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.²⁰ 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.²¹ 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.

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 for 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? so

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 manifold, 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.

Who Protects the Consumer?

"It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. Nobody but a beggar chuses to depend chiefly upon the benevolence of his fellow citizens."

—Adam Smith, *The Wealth of Nations*, vol. 1, p. 16

We cannot indeed depend on benevolence for our dinner—but can we depend wholly on Adam Smith's invisible hand? A long line of economists, philosophers, reformers, and social critics have said no. Self-love will lead sellers to deceive their customers. They will take advantage of their customers' innocence and ignorance to overcharge them and pass off on them shoddy products. They will cajole customers to buy goods they do not want. In addition, the critics have pointed out, if you leave it to the market, the outcome may affect people other than those directly involved. It may affect the air we breathe, the water we drink, the safety of the foods we eat. The market must, it is said, be supplemented by other arrangements in order to protect the consumer from himself and from avaricious sellers, and to protect all of us from the spillover neighborhood effects of market transactions.

These criticisms of the invisible hand are valid, as we noted in Chapter 1. The question is whether the arrangements that have been recommended or adopted to meet them, to supplement the market, are well devised for that purpose, or whether, as so often happens, the cure may not be worse than the disease.

This question is particularly relevant today. A movement launched less than two decades ago by a series of events—the publication of Rachel Carson's *Silent Spring*, Senator Estes Kefauver's investigation of the drug industry, and Ralph Nader's attack on the General Motors Corvair as "unsafe at any speed"—has led to a major change in both the extent and the character of