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Education Vouchers

Leonard Ross† and Richard Zeckhauser⁵


Fifteen years ago, Milton Friedman proposed supplementing the public schools with a system of state-subsidized private education.¹ The government's financial contribution would be made directly to parents in the form of tuition vouchers valid for a fixed dollar payment toward each child's education. Vouchers would be tenable at any public or private school, including profit-making and church-operated institutions, that met minimum state accreditation standards. Parents would be free to supplement the voucher, if they wished. Schools, in turn, could accept or reject whomever they pleased. Public-operated schools would no longer receive tax support, but would have to rely on voucher payments or supplementary tuition for financing. In this way, Friedman claimed, parents could choose the kind of schooling they desired without having to pay the penalty of sacrificed taxes. Not merely voucher-supported private schools, but public schools as well would become increasingly responsive to parents' wishes as they vied for clientele. For the first time, schools would have a clear financial incentive to provide better education. Innovations in curriculum, staffing, and the physical and psychic environment of schools could follow quickly upon consumer demand, rather than await the approval of the sluggish school bureaucracy or the conservative general electorate.

For most of the period since Friedman wrote, private schooling, voucher plans and "freedom of choice" have been before the public

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more as Confederate maneuvers than libertarian reforms. But in recent years things have changed. Black support for community schools, liberal disenchantment with public education and increased political pressure to modify church-state educational relations has given the voucher plan a new constituency. In its latest form, it comes proposed by Christopher Jencks and his associates at the Center for the Study of Public Policy, in a Report supported by a planning grant from the Office of Economic Opportunity. This effort goes further than its predecessors in that it is designed to translate the voucher philosophy into a detailed program of action. O.E.O. is now considering a three-year, $15 million experiment to introduce vouchers in several large city school systems.

**Alternative Voucher Plans**

The experimental voucher plan which O.E.O. would be prepared to finance differs substantially from Friedman's free-market model. The Office's intentions are set forth in the Report recently commissioned from the Center. The Report proposes a plan which significantly fetters free choice in the use of the voucher for the purpose of promoting racial integration and educational equality among income groups. Before arriving at its proposal, the Report undertakes a careful and systematic analysis of alternative plans.

At the outset the Report examines Friedman's *unregulated market* plan and rejects it for reasons that apply in some degree to the other discarded alternatives as well. The difficulty with the Friedman plan lies in its potential for economic and racial segregation and for eventual reduction in the level of tax support for the education of the poor. If every parent were given a fixed sum voucher to use as he pleased, the Center concludes, large numbers of middle and upper-

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2. Voucher aid to parochial schools both raises novel constitutional questions and may help solve some old ones. Aid distributed in the form of direct payments to parents poses fewer dangers of church-state entanglement than currently advocated alternatives, such as payment to parochial schools for "secular services." Indeed, voucher aid may represent a more sensitive accommodation of the conflicting claims of the establishment and free exercise clauses than does the present system of monopoly secular education. See McCann & Areen, *Race, Religion, and The Super Board: Law and Education Vouchers*, Teachers College Record (forthcoming, Feb. 1971); Brief for the Center of Law and Education as Amicus Curiae, Robinson v. DiCenso, *appeal docketed*, Nos. 569, 570, 30 U.S.L.W. 5110 (U.S. Sept. 22, 1970). In addition, use of vouchers to avoid desegregation decisions has been the subject of extensive litigation; see e.g., Coffey v. State Edu. Fin. Comm'n, 296 F. Supp. 1389 (S.D. Miss. 1969); Brown v. South Carolina State Bd. of Educ., 296 F. Supp. 199 (D. S.C.), *aff'd, per curiam*, 393 U.S. 222 (1969), and other cases cited in Center for the Study of Public Policy, *Education Vouchers: A Preliminary Report on Financing Education by Payments to Parents* (1970) [hereinafter cited as Report] p. 105. The Report contains appendices analyzing both the church-state and racial constitutional issues raised by the use of vouchers, pp. 131-96.
middle class children would be sent to exclusive private schools which charged tuition beyond the level of the voucher. White children of all classes might be packed off to segregated academies, and public schools would become involuntary repositories for the poor, the black and the educationally disadvantaged. Soon, the Report argues, an electoral majority would realize that its self-interest lay in minimizing the value of the voucher, thereby saving more in taxes than it would pay in extra tuition. The result would be a system of primary and secondary education which resembled American higher education in its elitism, regressive finance, and indifference to the needs of the poor.3

The next plan the Report considers is the unregulated compensatory voucher plan. It would provide supplementary allotments to poor children to redress their market disadvantage, but would not place a limit on the tuition that might be charged by schools participating in the voucher plan. If the compensatory payment were high enough, the poor could buy their way into economically integrated schools. But, the Report argues, it is unrealistic to think that the poor will receive such favorable terms for any length of time. “If education is sold on the open market, like housing or food, legislators are likely to take their usual attitude toward subsidizing the poor. Low-income families may be given somewhat larger vouchers than middle-income families, but the difference is unlikely to be as large as the difference in private purchasing power between [the two groups].”4 Thus, the compensatory features would have little effect, and education would become almost as stratified as it would be under an unregulated market.

In the compulsory private scholarship model, schools could charge whatever tuition they wished so long as no applicant's family had to pay more than it could afford. A formula set by the government would determine maximum tuition for different income groups. The results of this plan, the Report concludes, would be to give the voucher school a strong incentive to drive the poor from its doors either by rejecting their applications outright or, if that were prohibited, by adopting a curriculum designed to repel students from poor and minority backgrounds.5 Giving classes in French is an extreme but indicative example of the possibilities for evasion.

The most elaborate scheme considered by the Report is the effort voucher, first developed by John Coons and his associates.6 Its purpose

4. Id., p. 33.
5. Id., p. 36.
is to reward parents who are willing to make extra educational expenditures for their children, and at the same time make more expensive educations available to all. Voucher schools would be allowed to function at any of a number of specified levels of annual per-pupil expenditure. The size of an individual's effort voucher would increase with the cost of his school and decrease with the size of his family's income. The net result could be, for example, that a poor family willing to pay an extra $50 for education might receive the same supplemental payment as a well-to-do family paying an extra $500. With an effort formula sufficiently responsive to income differentials a system could be designed in which there would be no correlation between school expenditures and family income. In Coons' plan, equality of family financial power would be assured through restrictions against outside finance for voucher schools and prohibitions against discretionary selection of applicants.

The Report's objection to the effort voucher is that it gives exaggerated weight to the willingness of parents to sacrifice for their children's education, and thus aggravates existing inequalities among children. In addition, the Report's underlying political assumptions suggest skepticism about the future prospects of the effort voucher. Under a rigorous application of Coons' scheme, some poor children might be going to schools much more expensive than those attended by children of affluent but stingy parents. But if the middle class behaves according to the Report's predictions, it would not long abide a taxpayer-financed reversal of the community's status structure.

The above plans, involving varying elements of voucher size, regulated admissions, and compensatory payments, are set out for comparison in the table on the following page. In addition to the plans already discussed, the table includes two other alternatives: the \textit{regulated compensatory} plan put forward by the Report, and a \textit{community effort voucher} favored by the authors of this review.

\textit{An Evaluation of the Report's Proposed Plan}

As we have suggested already, the Report concludes that only a highly regulated plan with a significant orientation toward compensatory education could achieve its goals. Its proposal, suitably entitled a \textit{regulated compensatory} plan, has three important distinguishing features.
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1. No school is allowed to charge students tuition above the amount of the voucher.

2. Participating schools with more places than applicants would have to enroll all applicants. Schools with more applicants than places could accept a portion of their voucher students, say half, by their own criteria so long as the remainder were chosen "in such a way as not to discriminate against ethnic minorities."  

3. Extra money would be given to schools that enroll poor children. In effect, poor children are given a supplementary voucher amount.

The strictures the Report would place on the voucher plan would significantly weaken its market orientation. But more importantly, they would be administratively unworkable, and perhaps even self-de-

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8. *Id.*, p. 15.
feating. If the middle class wishes to mingle only with its own, or if schools find it far more profitable to accept some students rather than others, a wide selection of evasions is easily at hand. Schools could institute tracking systems or curricula specifically designed to repel the poor or hard-to-educate. Though blacks who were still eager to attend integrated schools could not be kept out, lower class whites could be systematically excluded from that portion of the student body selected by the school’s own criteria. Even if evasionary middle class tactics could be neutralized and open access guaranteed, substantial geographical separation and intergroup antagonism could prevent in many areas any substantial integration along class or racial lines.

The ban on tuition supplements could also be subverted. Schools could be run as subsidiaries of larger organizations, such as churches or clubs. Resource shuffling within such organizations could easily support a school that could not pay its way on vouchers alone. Voucher money could be directed to provide a limited educational program, with enrichment aspects—music, art, recreation, foreign languages—provided outside the school on a fee basis. In order to prevent parents from subsidizing a school in return for preference in the discretionary admissions process, the voucher agency would have to start policing schools’ curricula and finances in minute detail. Schools would have to be forbidden from consistently losing money—an easy enough burden for commercial ventures, but probably fatal to innovative nonprofit schools. Capital expenditures of any sort would have to be screened to make sure they were not in fact covert subsidies. Guarding against evasions such as these could turn the voucher agency into an anti-middle class version of county welfare, destined quickly to lose any substantial political base.

Why should the Center propose a plan that is vulnerable to these objections? Its choice can best be understood in the context of the political and educational postulates underlying the Report.

The Report proceeds from the political premise that integrated egalitarian education is not a popular cause and would rarely be adopted as an explicit program. An implication of this view is that it is only the institution of the public school that constrains the electorate to allow even the current modest degree of resource equalization in education. Legislators do not vote funds for the education of the poor because they affirmatively believe in income redistribution, but rather because the same schools, or at least the same school systems, serve the middle class and the poor alike. Where schools are segregated by economic class, as between central cities and affluent suburbs, even rough resource equality breaks down. The lesson is that without the
constraint imposed by universal public education, the political system would produce no more equality in elementary and secondary education than it does in any other area of economic life. If the credo of free public education is supplanted by an ideology of unrestricted private choice, according to this reasoning, lower income groups will fare no better in kindergarten admissions than they now do in college.

The task, then, is to develop an egalitarian voucher plan which can fall heir to the ideology of the public school. The terms of a voucher experiment should be designed not merely to provide equal access and resources by its own terms, but also to serve as a model for future uses of the voucher mechanism. While the Report does not discuss the question, its assumptions would justify a refusal to experiment with any plan other than the single most restrictive and ideologically coherent alternative. Otherwise, the political pressure to loosen restrictions on the use of vouchers would soon prove irresistible.

The Report's educational premises also counsel a highly regulated plan. Relative resource expenditures on education, in its view, are more significant than absolute levels in determining the quality of education given to different economic groups. As long as poor children go to relatively impecunious schools, they will be instructed by inferior teachers, admitted to inferior post-secondary schools, and shunted into inferior jobs. Moreover, even parity of financial resources would not yield equality if schools are segregated by income class. The absence of middle-income classmates may deprive poor children of the most effective purveyors of the common culture. Indeed, the Coleman Report found that economic integration was the only measurable aspect of school differences that seemed to affect children's educational achievement.10

The Report's conclusion is that a voucher plan must offer equality of resources and access, rather than simply making more resources available to all. The Report does not consider a plan which would freely allow tuition supplements while siphoning off part of the money for scholarships or compensatory vouchers, presumably because it would suffer the same fundamental vices as the unregulated market.

We think that the Report is unduly pessimistic in its assumptions and overly constrained in its conclusions. To begin with, it seems unlikely that whatever modest equalizing features currently exist in public education survive only through camouflage. State and local

taxation is often regressive across a substantial middle range of incomes, and school expenditures are commonly biased toward higher income groups. Thus there is no need to attribute the current system of school finance to aberrational neglect of self-interest on the part of the ruling classes. Public education is not such a bad deal for the top half of the income distribution. However, even if the affluent were suffering financially, and had no objectives beyond narrow class interest, they might still provide public funds for education in order to preclude the formation of an undereducated and underemployed lower class. Even the most amateur sociologist must recognize that the welfare and safety of the rich can be improved by judicious concessions to the poor. In sum, a middle class bent on destroying the voucher system through lower taxes would long ago have voted the public schools into financial oblivion.

If we assume, however, a political situation as bleak as the Report hypothesizes, then its voucher plan would never stand a chance of adoption. It would require an army of reconstruction to impose egalitarian vouchers and random selection on a populace hell-bent for class (or race) segregation. For areas of the country which fit this description, the answer will have to be continued intervention by federal courts or funding agencies. But if the whole nation were this way, there would be no remaining constituency for regulation and no hope for its enforcement. The Report’s voucher proposal would resemble the plan for world government presented to Frederick the Great, “a capital notion, lacking only the assent of the crowned heads of Europe for its adoption.”

We also think that the Report errs in not considering plans which would allow the affluent to supplement the voucher but would use part of these additional funds for the education of the poor. The net effect of such plans would be to increase the absolute level of spending for the poor but worsen relative expenditures. Contrary to the Report’s assumptions, we do not think that relative expenditures are all that count. Increased absolute spending for education need not merely reshuffle the existing corps of teachers from one school system to another. It could significantly bolster the numbers and improve the quality of those in the teaching profession. Already, generational changes and higher budgets have begun to reverse the post-war status slump of public school teaching. New resources could only accelerate that trend.

Notwithstanding our disagreements with the Report, we share its reluctance to propose an unfettered market plan for widespread adop-
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tion. A free market in education would indeed provide little comfort for the poor. If the nation were on the verge of scrapping the public school for a voucher system, there would be more to recommend the Center's ball-and-chain approach. But the day of the voucher is not yet at hand. The very notion of competition in education stirs anguish in the hearts of public school theocrats and some conservative teachers' organizations. Teachers' unions are fearful that a proliferation of voucher schools might threaten their recent collective bargaining successes or weaken the institution of tenure. The voucher plan, if it gets tried at all, will for many years to come remain a limited experiment.

Even if vouchers did catch on in the near future, we do not see how restrictions imposed today will confine the range of anti-egalitarian choice perceived tomorrow. There is no way to patent a single voucher plan and deny the use of other plans to the evil-hearted. Thus we would urge O.E.O. to experiment with a wide variety of voucher schemes, including variants which might be unacceptable if proposed as a comprehensive alternative to the public school.

**Virtues of a Voucher Experiment**

If the political prospects for vouchers are so limited, what good can come from an experiment? We see at least four significant boons.

First, a voucher trial would finance some experimental schools and curricula which otherwise could not get started. Despite the current bull market in proposals for educational reform, actual accomplishments are scarcely in evidence. Public schools remain allergic to change, and private schools are inhibited by lack of a financial base or a promising financial future. In these circumstances, even a small-scale voucher plan might greatly improve the prospects for innovation. Suppose, at the worst, that any new private schools started with voucher money would serve only the children of the middle class. The techniques they pioneered might nonetheless influence the entire spectrum of public education, helping the poor through a kind of ideological trickle-down, perhaps no less reliable than the prospects for major financial equalization.

Second, a voucher experiment would highlight and help to overcome the unequal distribution of educational resources among different communities. Although everyone probably knows that more is spent for the education of the children of Scarsdale than for those of Bedford-Stuyvesant, the actual statistics never come to the fore. But if (to take an arbitrary numerical example) one community issued $1500
vouchers while the other had to make do with $700, some state or federal pressure for parity might ensue. The plan adopted could also serve as a possible tool for accomplishing some measure of equalization. Indeed, if a substantial degree of cross-community equality is ever to be achieved, there will probably have to be greater financial support than at present from state or federal governments. A voucher plan would provide a convenient, non-interfering model for such contributions.

Third, use of vouchers would increase the overall level of expenditures for primary and secondary education in the participating communities. Not all analysts would regard an increase in educational expenditures as a benefit. There are many counterbalancing forces which create biases for over- and underexpenditures. Let us mention but two that create a downward bias, particularly for the education of the poor. First, due to the mobility of individuals, a community derives little of the benefit of educating its young. Second, providing high quality education for the poor might act as a magnet, increasing the tax burden in those communities which accept their social responsibility. A voucher plan which attracts non-local financing, and makes use of the willingness of middle class parents to spend more on education in order to provide additional funds for those less wealthy, could provide a practical vehicle for increased expenditure.

Finally, vouchers could prove their worth as a means of depoliticizing education while increasing parental control. In the present context of the monopoly public school, "community control" can often be achieved only through bruising political fights among different elements of the community or between community groups and teachers' organizations. A more market-oriented system could provide a less antagonistic mechanism for insuring school responsiveness.

Again, these arguments would have to be qualified if vouchers were proposed as a universal solution. Parental control of all schools might frustrate important public objectives, such as allowing children to learn from the thinking of diverse social groups. The powerful forces pushing toward economic stratification might frustrate the equalizing aspects of the voucher. But in today's world of monolithic schools and unacknowledged resource discrimination, we see little risk in a wide-ranging voucher experiment.

Specifically, we would urge that any voucher plan not be expected to shoulder the entire burden of equalizing educational resources. Rather, the state or federal agency funding the voucher should adopt separate measures to ensure resource equality, such as the new H.E.W.
guidelines for communities accepting Title I funds. The voucher plan would then be made available only to districts in full compliance with these regulations. It would be structured to reward community effort; other things equal, the level of state or federal support would be greater for poor communities than for rich ones, and greater for communities that spend more on education than for ones which spend less. A variety of plans should be tested. In some of them, schools should be able to accept applicants according to their own criteria, subject to a requirement that acceptances be in racial proportion to applications. If excess tuition were charged, some portion might be recycled into the basic voucher fund to provide scholarships for tuition schools. In that way, parents could satisfy their desire for better schools for their own children while being required to make those same opportunities available to the children of the economically less fortunate. A plan such as this would, we feel, give vouchers a fighting chance without prejudice to the future of publicly supported education.

12. This proposal, a generalization of the Coons effort voucher, was developed by Coons and associates in J. Coons, W. Clune & S. Sugarman, supra note 6.