

What is Different About Schooling as a Commodity?

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A widely-asserted strong defense against arguments for market-accountability-based transformations of K-12 schooling is that, “schooling is different;” significantly unlike goods – the vast majority - for which market accountability is best. We’ve already dealt with the important differences between the merit good aspects of some kinds of instruction, and the [often-mistakenly-asserted public good status](#) of K-12 schooling. Merit good status arises from positive spillovers to society at large from children receiving instruction. Certainly society benefits from children acquiring the basic literacy skills needed for participation in the political process and from improvement of employment prospects.

We need to recognize the other important differences between schooling as a service and the private goods that constitute most of the output of most nations, and understand what those differences mean. 1.) Co-production is a unique feature of instructional services. Most services are delivered to passive customers. That is, customers aren’t usually involved in the production of the service. But schooling amounts to co-production of skill/knowledge acquisition. This unique aspect of instructional services argues against assigning children to schools and educators, and against attempts at one-size-fits-all approaches. The need for a joint effort for knowledge and skills to be imparted to children – they must be engaged – argues for school choice, course choice, and instructor choice to the extent possible given technology and the population density needed to support brick and mortar choices. Children must be a good match for their schooling circumstances for the instruction to be effective.

2.) Equity concerns are another key difference between K-12 instruction as a service, and many other services. There is a widely held view that there is an entitlement to at least a high minimum level of educational opportunity. Some go further and press for equal educational opportunity; a dangerous good intention that is a key source of the pricelessness that is a primary cause of school system inefficiency. Since we can't provide every child every schooling service that some have the means to provide their children, true pursuit of equal opportunity means restricting schooling purchases, which would make many families worse off, and no one better off. So, we subsidize schooling, publicly through taxes and privately through charities, including large foundations such as the Walton Family Fund. Many people believe that private subsidization, perhaps enhanced by [non-refundable tuition tax credits](#), is enough, and that adding public subsidy is not worth the cost of making schooling political. Brilliant (and not mean or heartless) scholars including Milton Friedman, E.G. West, Samuel Blumenfeld, and James Tooley have articulated the private subsidy-only view. Because of a not-widely recognized cash flow issue, and uncertainties about the level of private-only subsidy, I'm for at least semi-public subsidy through non-refundable tuition tax credits; semi-public because courts have ruled that non-refundable credits are taxpayers' own money, not public money.

3.) The cash-flow issue is most families' mismatch between when they have children in school, which is early- to mid-adulthood, and their ability to pay for it, directly, which is in later, pre-retirement adulthood. It's another major difference between schooling purchases, and most other purchases. The vast majority of families would struggle, mightily, to pay tuition for a few children in school at the same time. They'd struggle to borrow money to do it, especially at a time in life that contains other major reasons for significant indebtedness such as home

mortgages. Paying for schooling mostly through taxes has the huge benefit of spreading each family's payment for schooling (for their children and others) over their entire, taxpaying lives.

Could a non-refundable tuition tax credit adequately address equity and cash flow reasons for under-consumption of schooling? We can use [non-refundable tuition tax credits](#) to businesses and families without schoolchildren that donate to private subsidizers that provide assistance to the lower income families that cannot directly derive much benefit from the tuition tax credit because their tax liabilities are too small. We can't say if such an approach would adequately address equity and cash flow issues until a policy entrepreneur takes the plunge on a meaningful experiment in lightly publicly subsidized K-12 schooling. The first such plunge into a real market-based transformation of a school system is by definition, not informed by direct empirical evidence of what to expect. We need such policy entrepreneurship, which we narrowly failed to get at the [1979 beginning of the Margaret Thatcher Administration in the UK](#). It may take a well-conceived slippery slope to achieve such an experiment.