

CHAPTER TWO

The Nature of Education

INTRODUCTION

Education is defined in the *Concise Oxford English dictionary* as 'bringing up, systematic instruction, development of character or mental ability'. In pre-modern societies, education has primarily been provided through the family, the community (for example, elders, religious organisations), the peer group and through direct experience of the adult world. In modern societies, an institutionalised educational system has been added to these other sources of education.

In tribal societies, childhood is often a clearly defined and distinct state during which education is received; older adults and close kin being responsible for education. In pre-modern Europe, children may predominantly have been seen as small and inexperienced adults, with no clear demarcation of childhood as such and there was no clear, socially allotted responsibility for providing education. Institutional education has spread from being the preserve of a small, academic elite (the monastic centres of scholarship of medieval Europe) to a purchasable good for preparing the leaders and managers of European empires to a free but compulsory system for protecting and preparing children, notably of the poor, for their adult roles. At the same time, institutionalised education has moved down the age and income scale from catering for young adult scholars to dealing also with the young children of the poor. Significant further changes have occurred in educational thinking and practice throughout this century. New Zealand's formal educational system has largely been developed on the foundations of European experience.

Functions of Education

The literature on education lists assorted objectives, aims, goals or functions of education. For analytical convenience these may be captured by three functions, relating respectively to the individual, society and the economy, and a fourth function arising from the relationship between parent and child.

The function of education relating primarily to the individual is that of *fulfilment*: fulfilling the individual's inherent or latent abilities and aspirations. This is, perhaps, the most immediately evident function and tends to receive the most attention in educational literature. It raises questions as to the extent to which nurture (including education) or nature (inherited capabilities) determine, or interact to determine, individual character and abilities and hence how extensive the role of institutional education can be; and the extent to which an individual can be fulfilled as a individual rather than as a member of a culture and hence the problem of the relationship between education and the wider society.

The function of education relating primarily to society is that of *integration*: integrating the individual into the community, the wider society, and the role and responsibilities the individual may assume as an adult. This function consists both of basic or primary socialisation of the individual in early childhood and secondary socialisation into the culture and mores of the community and society. Debate can arise over answering the question: What are we trying to integrate the individual into?

Different views may be held about the nature of the community, culture or society with which the individual is to be integrated, the relative weighting to be attached to different elements within that culture or society and the extent to which the individual should be prepared for the limited role within society they are likely to occupy rather than the range of potential roles available. Nor need integration be conceived of as static; different views may be held about the extent to which individuals should be integrated with the existing structure of a culture or society and its mores or should partake in the creation of what it is thought likely or 'ought' to develop.

The *economic* function of education is to prepare the individual for his or her economic role (which need not be paid employment) through the provision of relevant skills and certification of skill, knowledge or ability levels; certification may also indicate the likely degree or type of trainability of the individual. The nature of institutional education's contribution to preparing the workforce is open to debate: does it primarily provide training in, and certification of, work-relevant skills or select the most trainable individuals for subsequent development by the employer? The weight of evidence points to the latter being more important than

the former.¹ Of course, there are many highly prized professional skills and employers are not likely to be indifferent to what has been learnt by an individual. However, studies indicate that it is core skills and general abilities, attitudes and discipline—what there is to build on—that employers are most concerned with.

As with the integration function, static or dynamic views may be held of the economic function: preparing individuals for existing, forecast or desired economic roles. The skill requirements of the modern economy appear to be increasing, diversifying and changing more rapidly. In consequence, there is a growing distinction between foundation elements (core skills, trainability and the like) to be supplied by education and the additional, more specific education, training and retraining that individuals will undertake, probably several times, in their career as their economic role changes.

There is a boundary problem in distinguishing between education and training and retraining, including on-the-job training. The institutionalisation and professionalisation of education has contributed to the erection of barriers between the worlds of education and of work. But recent developments in Europe and America have aimed to reduce these barriers in order to make education more relevant and ease the transition from education to work. The development of continuing or lifetime education also contributes to the reduction of barriers around education.

The fourth function of education arises where education is carried out by a party other than the individual's parents. This is the *custodial* function: taking custody of the individual in order to relieve the individual's parents or guardians of part of the costs (direct and indirect) of child rearing or to protect the child from parental failure or other dangers. Issues are posed by the role of the parents or guardians: the agency problem.

Infants have a limited ability to express their needs and desires. Young children need extensive supervision and guidance by adults. Full rights as a citizen do not accrue in New Zealand until age 20. Thus, the majority of those undergoing education are not legally or practically adults and consequently are not fully able or permitted to determine their own course of action: the parent or guardian is normally regarded as acting on behalf of the individual. For most purposes, the parent or guardian can be assumed to act in the best interests of their charge.

Setting aside cases of deviant behaviour, three types of difficulty may arise. First, the parent's current economic or social interests or priorities may not coincide with the child's educational needs. Second, the parent may misjudge the benefits of education for their child, for instance not giving sufficient weight to the long-term investment aspects of education where the main pay-off may not occur until the child concerned has left or is about to leave the parental nest. Third, the parent may be faced, for example with a severely handicapped child, whose demands exceed the ability of the parent to meet them. The first problem is likely

to arise with greatest force in the earliest stages of childhood and thus of education, the second more strongly at the later stages of education when the connection to adult career is greatest. The third problem is largely beyond the scope of this discussion. Poverty may make all three difficulties more likely to occur.

Applying the Functions

Each of the four functions of education is open to different, even opposed, interpretations as to the best means of implementation. The functions themselves tend to overlap and run into each other: thus, for instance, the production of a 'well-rounded' citizen may be judged to be a worthy discharge of the fulfilment, integration and economic functions. More important in policy terms, there are considerable potential tensions between the functions. These express the inherent limitations of what institutional education can achieve in society.

Tension between the fulfilment and integration functions will arise where the path to fulfilment for the individual or cultural or interest group does not align with the expectations or values of the community or wider society to which they belong, for example a high academic achiever from a poor background, or where pursuit of personal aspirations does not prepare that individual for the responsibilities toward others of adult life. Tension between the fulfilment and economic functions will occur where the pursuit of personal fulfilment, for example in a learner centred and open choice environment, does not prepare the individual for the pressures and disciplines of work. Tension will also arise where certification of skill or ability level as part of the economic function undermines individuals' self-confidence. Tension between the fulfilment and custodial functions will arise where individual fulfilment places time demands on parents who seek some of that time away from their charge.

Tension between the integration and economic functions will occur where the individual is socialised into attitudes and patterns of behaviour which restrict that person's economic potential and worth or, conversely, where the process of certification under the economic function restricts the spheres into which the individual seeks or can seek integration.

Tension between the custodial and economic function may arise where the interests of the parents involve maximising use of the custodial function whilst the economic interests of the child require more home based education. Tension between the custodial and integration functions may arise where the role the parents wish to adopt, utilising the custodial function, does not align with the expectations as to parental role into which the child is being educated.

The complex of tensions between the functions means that there are no easy answers in education. Any pattern of provision will imply a particular educational agenda—a particular set of priorities between function and interpretations as to how to discharge each function. Any agenda will suffer the opportunity cost of alternative agendas foregone. Changes in educational priorities can have significant costs in weaker discharge of the functions which become downgraded. As the pattern of education provision changes, so will the associated costs and benefits.

The history of education is the history of such changes. In Europe, the mid-nineteenth century state funded education of children of the poor perhaps initially gave priority to the custodial function. In New Zealand, state provision perhaps focused on the economic and integration functions. By the 1960s, primary concern lay with the fulfilment function and the consequential issue of equity. The harsher economic climate of the 1970s and 1980s, the loss of social consensus and the perception of growing societal breakdown have all led to increased concern in many countries with the economic and integration functions whilst the changing role of women is leading to refocus on the custodial function. As the 1983 OECD Review suggests³, policy in New Zealand focuses on developing individuals, that is, the fulfilment function. This implicit priority over other functions may hold significant costs in dealing with a world of rapid social and economic change.

Different sources of education will hold or reflect different educational agendas. Individuals will be exposed to different sets from different sources, such as family, school, peer group, community, media, computers and books. Tensions and conflicts between these different sets derived from different sources will occur both at the individual level and at the societal level. In part this may help achieve balance; the priorities and values of no one source carrying overwhelming weight and hence, if 'wrong', not inflicting unlimited damage. But, conversely, the tensions and conflicts between different sources limit what can be achieved by any one source in attempting to set a definitive agenda.

The Institutionalisation of Education

In modern societies, institutionalised education tends to be seen as the predominant source of education and the providers of education within the institutions concerned as possessing particular expertise. Institutionalisation of education may arise for a number of reasons:

- economies of scale or concentration; these may enable the more efficient discharge of the custodial function of education and gains in effectiveness through specialisation and professionalisation of the teaching function;
- economies in individuals' and employers' transaction costs; concentration of educational provision on a few sources simplifies the individual's or his or her agent's search for the necessary education; provision of institutionally generated credentials as to educational achievement simplifies job search and job filling;
- investment safeguard; the personal investment benefits of education involve long term risk, for example, that credentials obtained will prove worthless; the risk can be minimised by contracting with large, stable institutions;
- the demand by parents for the custodial function;
- the existence of public benefits from education may lead to communal concern and action to ensure its provision.

As will emerge in this chapter, the reasons for institutionalisation of education are not the same as for state intervention in education. The presence of a case for the one does not imply the presence of a case for the other and there are many examples of the advantages of institutionalisation being reaped with minimal or no government intervention.

The prospective gains from institutionalisation of education are counterbalanced by potential losses. Institutionalisation, particularly on a large scale, may lead to the familiar problems of bureaucracy, institutional rigidities and the growth of professional value systems and interests removed from, and substituted for, the values and interests of the customers of the service concerned; in short the growth of inefficiency and ineffectiveness. The extent to which such problems emerge is affected crucially by the nature and strength of the implicit or explicit contract that is forged between the professionals and administrators in the institution on the one hand and the customers of the service concerned on the other.

The individuals being educated are not homogeneous. Institutional education, if not tied to customers' demands, may well fail to reflect the diversity of needs and capabilities of those being educated. It will come to hold its own educational agenda, both in terms of its formal curriculum and the 'hidden' curriculum produced by the structure of relations and values which it uses and hence validates. The resulting agenda may not be sufficiently flexible to accommodate different individuals' requirements. Nor is education itself an homogenous good; the unique variety of education from primary socialisation of an infant to post-graduate degrees and the breadth and diversity of its functions means that no single source of education can suffice. Different sources may be appropriate for different types of education: the parent for initial socialisation, television for

current affairs, school for learning maths, and so on. Different sources may not be ready substitutes for each other or the costs of limiting the variety of sources may be high in terms of loss of efficiency or effectiveness. Such costs may apply to transfers of educational tasks between informal and institutional education.

The Benefits and Costs of Education

The benefits of education may accrue to:

- the individual being educated;
- the parent or agent of the individual being educated;
- the community or society as a whole (including the economy);
- the providers of institutional education: teachers, administrators and support staff.

These benefits can take monetary or other form and may take effect immediately (consumption) or in the future (investment).

The main monetary benefit to individuals from education will normally be through earnings in the future as a result of skills and qualifications obtained and the increased likelihood of employer investment in further training for those with proven trainability (economic function; investment benefit). Education can maximise the chance of personal fulfilment through work, broaden the range of jobs accessible and, by increasing flexibility and trainability, act as an insurance policy against economic or personal change (economic and fulfilment functions; investment benefit). The individual may benefit from enjoying the education received at the time (fulfilment function; consumption benefit), and from increased ability to make good use of leisure both at the time and in the future (fulfilment function; consumption and investment benefits). The individual will benefit both at the time and in the future from being well socialised, being able to deal with a variety of social circumstances and from useful contacts made in the course of study (integrative function; consumption and investment benefits).

As discussed further on page 33, the individual undertaking education or their agent is also liable to gain from any benefits of education to the wider society, and suffer any costs to the wider society too. The extent to which such benefits or costs are in practice captured by the individual or their agent is discussed on that page. For the present these costs and benefits will be discussed as if they go wider than the individual. In these terms, society may benefit from having citizens who feel fulfilled and whose abilities are developed (the fulfilment function) and who are well socialised both with their immediate community and the wider society, who in a democracy can make informed decisions and who are adaptable to different or changing social situations (the integrative function). These benefits will largely

be reaped in the future rather than directly at the time the education is given and are thus an investment by society in the future. Society can benefit from having children at risk kept safely in custody during school hours and from the free time for economic or leisure use that the child's parents will gain (the custodial function). These benefits will largely occur at the time the education is given.

Society can benefit from individuals who possess the discipline, skills and talents needed by the economy and which can, as necessary, be developed further and from the certification of the level of knowledge, skill and likely degree of trainability for work needs possessed by individuals (the economic function). These benefits will be harnessed subsequent to the time the education is given and are thus investment benefits. To the extent that they are not captured by the individual, these benefits will then accrue to the individual's employer in the first instance. Depending on the degree of contestability and balance of bargaining strength in the employer's field, such benefits may be passed on to the employer's customers and employees.

Parents will derive benefit from their children's enjoyment of their education and from anticipation as to the investment returns to education for their children in the future (mainly the fulfilment function). The extent of these benefits will depend on how closely the parents identify with the child. Parents will directly benefit from the free time for work or leisure provided by the custodial function. Both flows of benefit will largely be enjoyed in the present and hence are consumer benefits. In the longer term, parents can benefit from the increased ability and/or wish of their children to assist and care for them.

Educational providers will benefit from the income earned and satisfaction and status gained from their work and from the free time generally provided through long institutional holidays (consumption benefits) and from the security and potential for career advancement afforded (investment benefits).

Education has costs. The direct costs to the individual or his or her parent could be the costs of tuition or teaching materials; the indirect costs will be opportunities (including earning opportunities) foregone by the individual and possibly his or her parent in order to spend time on education. To the extent that the benefits to the individual are positional (see page 34), the individual who loses out will suffer the accompanying costs of opportunity lost or benefit reduced. Educational providers will suffer the stresses and strains of educational work and the opportunity costs of alternative careers foregone with the loss of what those alternatives could offer in earnings, satisfaction, status, security and career advancement.

Society may suffer the opportunity costs of the choices made between different interpretation of the functions and the priorities between them. For instance, choosing to emphasise European cultural perceptions in institutional education will have costs in terms of other cultures. Society can suffer costs to the economy

from the loss to the labour market of the skills and time spent on education both by educators and educatees. To the extent that education is publicly subsidised and is consequently pursued more than would be the case in the absence of such subsidy (see page 40), there is the opportunity cost of the resources that would otherwise have been available for other public or private purposes. If there are efficiency losses in public provision, these also are costs.

The array of benefits and costs and their balance between consumption and investment will vary according to the level and type of education and the preferences of the individual concerned. For instance, investment benefits for the individual may be more evident at university than kindergarten level but one university student may choose to give relatively higher priority to the consumption benefits of an enjoyable course than another student more concerned with the investment benefits of professional studies. The type and balance of costs and benefits will be different for different individuals and for individuals, parents, providers and society as a whole. Hence, even assuming agreement on the educational agenda, there is no necessary mesh of interests. For instance, parents may be assumed to 'want the best' for their offspring but even so may well face choices between optimising their own benefits and their child's. Whoever is the decision maker, they are extremely unlikely to be able to maximise the net benefits for all the interested parties. Trade-offs will result.

Where the individual or their agent contracts directly with the provider of education, the balance of perceived costs and benefits of education to individuals and their agents will determine the demand for education. An individual or their agent will normally pursue education for that individual to the point where the costs to the individual/agent of an additional element of education outweigh the benefits. In such market conditions, the nature and extent of this demand for education will call forth the appropriate supply. To the extent that the costs and benefits of education accrue to the same individual, that person may be best left to determine the course of action for themselves, that is, choose the nature and extent of education he or she is to undertake. Between the customer and the provider an implicit or explicit contract exists. This bundles together for each party: *who chooses*, *who pays* (not necessarily, or entirely, in monetary terms), *who benefits* (ditto) and *who is accountable* for delivery of the service concerned.

However, a market equilibrium will not necessarily produce the same approximate level of benefits and costs for different individuals/agents. There are three possible sources for differences between individuals/agents: *differences in access*, *process*, and *outputs*. Problems of access arise where there are differential barriers to entry to a particular educational source arising from cost, group membership or qualification and the like. The last is essentially the effect of differences in output arising from previous educational sources. Problems of process arise where participation is not on the same terms for all, for example girls are treated different from

boys. In practice, where such differences are of any significance they will find reflection in differential outcomes.

Differences in outputs may arise for three reasons—differences in *what is sought* by the individual/agent, differences in *what is brought* by the individual to education and differences in *what is offered* by the educational sources. Different individuals/agents may hold different educational agendas with different interpretations of, and priorities for, the four functions of education discussed earlier. Differences in what is brought by the individual to education may arise from innate abilities or predispositions arising from differences in home background. They may be relatively hard to change and resistant to external influence. Some aspects of what the individual seeks may be more susceptible to change through the process of education. Differences in what is offered by the educational sources will arise from differences in the educational agenda held by these sources. The differences for each individual's case in what is brought, what is sought and what is offered will interact to produce different outcomes.

Some of the various differences in access, process and outcome may well be desired by the individuals concerned. Others, though not desired, are not necessarily unfair: for instance locational difficulties in access to formal education may be partly or wholly compensated for by cheaper housing, and greater space for children to play in. The balance of costs and benefits associated with such differences will be taken into account by the decision makers concerned in determining their course of action and contracting with other parties. Where differences in educational access, process or outcome are not regarded as fair, they pose equity issues: fairness between different socio-economic groups (vertical equity); redistribution of resources over an individual's lifetime (horizontal equity); fairness between sexes and ethnic groups (gender and race equity); fairness between different geographical areas (locational equity). Government intervention may pursue equity goals by tackling some of these differences in access, process and output but in doing so it may create other inequities. Gains in one type of equity may be counter-productive in respect of others.

The Role of Government

Education's investment benefits, which bring long-term benefits to society as well as the individual, may lie behind the feeling that education does not belong in the marketplace. Education tends to be thought of as a natural sphere for government intervention because it is a social or public good and because of concerns about equity in the private costs and benefits flowing from education. In the technical sense used by economists, education is not in fact a 'public good'. Pure public

goods possess the characteristics of being non-exclusive, that is, individuals cannot be excluded from enjoying them (for example defence), non-competitive, that is, the marginal cost of another individual enjoying the good is zero (for example an empty railway compartment) and non-positional, that is, the value does not lie in restricted supply (for example prestige goods). The provision of formal education and the associated educational qualifications does not fall into these categories. Individuals can be excluded from provision and persons outside compulsory school age are excluded (even within compulsory school age, zoning, and private schools depend on being able to exclude individuals). The marginal cost of provision is not zero and the value of educational qualifications does, at least in part, lie in their scarcity. Hence, education shares the main characteristics of other commodities traded in the market place.

Education is never free as there is always an opportunity cost to the provider. To the extent that education is provided through institutional sources, educational activities appear as a measurable part of the national economy and money (whether public or private) is exchanged for educational provision. Government intervention may disguise but does not remove the transactions taking place. For example, in providing schooling, the Government purchases a complex range of goods and services (teachers' skills and time, buildings, electricity, equipment and so on) on behalf of the school's students/parents. The resulting product is also, potentially at least, purchasable directly by the student/parent. Even though the product of formal education is far from easy to assess, the suppliers of inputs to it are in the market place and will seek to maximise their own returns (which may include, for example job satisfaction as well as monetary recompense) for the services rendered. Hence, the customer or their agent needs to assess the quality of the services provided and seek a fair return on the funds invested—whether these are the customer's own or the taxpayers'. Thus, in this respect, educational services are like other goods traded in the market place. If the purchaser does not treat them as such and seek a fair rate of return they are liable to loose out to the providers of the inputs concerned.

Societal costs and benefits have been discussed as if experienced by a distinct entity called 'society'. In practice, they are, of course, experienced by the individuals who make up that society. If the benefits and costs are not captured or suffered by those being educated or by their agents they are 'external' to them. However, through the everyday processes of social and economic interaction and bargaining, such externalities are liable to become 'internalised' to the individuals directly concerned through implicit or explicit contracts (social, legal or financial). For instance, not only is a graduate likely to capture the economic benefits to society of his or her education through a higher wage than a non-graduate but is also likely to gain psychic income from: higher prestige, greater self-confidence in more situations, the ability to open more doors, to be a member of those interest groups

best able to obtain advantage from the processes of democratic decision making, and so forth. He or she will also be subject to societal costs through suffering lower net pay expectations due to the taxation needed to pay for higher education, perhaps by being a member of a community with higher social tensions resulting from the inequalities which give value to his or her degree. In this way externalities are internalised and become part of the overall package of entitlements expected or accepted by individuals.

Externalities will only not become internalised when the transaction costs involved would be disproportionate. For instance, Chapters 3 and 4 mention the costs for the community of crime believed to arise from educational disadvantage. Since there is a positive incentive for significant external benefits to be internalised, it may be expected that they will be unless there are substantial barriers (costs) to such. External costs are less likely to be internalised where they are suffered by the community as a whole and are not significant in relation to any particular group or individual.

We all undergo extensive formal and informal education and have a vested interest in the future of society and hence there is substantial overlap between the individual's or agent's interests in education and those of society as a whole. Differences occur between individuals because of the differences in educational access, process and outcomes discussed earlier. Hence the basis for government intervention in education cannot securely rest on an hypothetical distinction between individual and social benefits and costs from education but can rest on disjunctions between individuals. Problems may arise in respect of each of the four elements bundled together in the educational contract. Each may give cause for government intervention:

- i who pays (group equity concerns); not all individuals/parents are able to purchase suitable education and hence the net benefits that society and individuals draw from education are not equally distributed to members of all groups: vertical, gender, race and locational inequities may arise;
- ii who chooses (the agency problem); many of those being educated are not in a position either to enforce contracts or have contracts enforced against them which would 'internalise' externalities; in addition they are exposed to agency failure if their parents do not act in their best interests. Parents may make non-optimal choices due to the generation gap or other information problems arising from the long-term benefits of education; young people may themselves make poor educational choices due to inexperience or misapprehensions—they may need an agent to choose for them;
- iii who benefits (social benefit concerns); societal costs and benefits not fully captured by the individuals being educated or their agents;

- iv who is accountable (operational efficiency concerns); the risk of institutional failure can undermine the long term benefits that individuals expect to gain from education, making them or their agents less inclined to invest in education; institutional rigidities, where there is lack of choice between institutions, can lead to under-exploitation of individual capabilities and to inequality.

Items (i) and (ii) can be joined together under the broad heading 'equity', items (iii) and (iv) under the broad heading 'efficiency'.

State intervention in education does not have the same aims as that of individuals' utilisation of the functions of education, otherwise individuals could simply be left to arrange educational matters for themselves. The intention of state intervention must, by definition, be to produce a better outcome than would result from private contracting. The possible methods of intervention are:

- i provision of information, guidance or leadership;
- ii regulation;
- iii funding to (or taxation of) individuals, groups or institutions;
- iv in-kind provision.

Potentially, state intervention, in attempting to overcome problems and limitations in private educational contracts can: redistribute educational and consequent life chances in society in favour of the disadvantaged, assist parents in the discharge of their agency role, safeguard children against parental failure and young people against their own inexperience, ensure that net benefits to society are maximised and ensure efficiency in the running of the institutionalised educational sector. However, in intervening to counter disjunctions with one or more of the contractual elements described above, the Government will itself break up the bundling together of the four elements in the contract. Thus, quite apart from the element(s) to be corrected by government intervention, if the Government intervenes by means of the provision of information it will slightly alter the 'who pays' element—as information is a cost to any transaction—and, unless the information provided is perfectly transparent, alter the 'who chooses' element also—the Government implicitly doing some of the choosing. Intervention by regulation may have its main impact on 'who is accountable', intervention by financial transfer on 'who pays', but almost inevitably, the other elements in the contract will be changed too. Intervention by in-kind provision bursts the bundle of four elements apart. It is, other things being equal, the least desirable form of intervention as it is liable to produce the greatest problems from government interpolation in the contract between consumer and provider, as discussed next.

Problems with Intervention

In each case, but particularly with in-kind provision, government intervention creates new sets of contracts, often between new parties. Each contract will contain the same four elements, and hence will be susceptible to the same four problems outlined in respect of the original contract, leading to further cause for government intervention and so on. Thus there are two types of general difficulty arising with government intervention. First, that with fulfilling its own role in respect of each of the four elements of any educational contract; second, that with delivering the desired correction to any particular element or elements. Many educational problems may not be soluble simply by government intervention and some may be exacerbated by it. Any particular government intervention in education will only be a net gain to society if that intervention is effective (that is, it produces a better outcome than would result from private contracting), if its benefits exceed costs and if there are not better uses for the government time and money required.

Taking the general difficulty with the government fulfilling its own role, the *first* problem arises with who benefits. The Government will have to determine how and how much to intervene. Yet, the fulfilment and integration functions of education raise sociological and ethical issues whilst the long-term nature of many economic benefits compounds the difficulty of assessment. Given these difficulties with the educational agenda in establishing goals and parameters for government intervention, it is perhaps not surprising that the literature is characterised by vagueness as to educational goals. Because of the difficulty of measuring actual educational outputs in relation to the four functions, inputs tend to be used as measures of success instead.³ Hence, more (provision) is seen as better and the solution to educational problems is seen as increased government provision. Thus, the level and nature of state intervention will tend to be determined by what has gone before and by the strength and ability of the proponents of the educational sector. To the extent that government intervention interpolates between those who benefit and those who pay, benefits will no longer necessarily be weighed against costs by decision makers. Individuals seeking education and their parents will share a common interest in reducing the direct costs of education to themselves by maximising government subsidy. As reducing the cost of education will increase the demand, this will also benefit providers who will enjoy greater job security and improved career paths as state support and hence demand increases. Education may come to be seen as an absolute good and an unmeasurable one.

This leads to the *second* problem with the Government's own role: that of accountability. The state, by intervening in education, interposes itself or its agents between customer and provider to a greater or lesser extent. The greater the interposition the greater the need for a system of accountability as the direct relation between provider and customer in the market place has been broken and

they are no longer accountable to each other. The providers' market may become the Government rather than the consumer of their services. The consumer may no longer pay the full cost of what is consumed. With the breaking of direct accountability between customer and provider, perverse incentives may be created. The pressure on quantity of government provision will not necessarily be matched by pressure on quality. The more centralised the control of an educational source, the more the interests of customers, providers and administrators will lie in obtaining power at that centre and establishing and extending rights and funding flowing from that centre. With increasing central control, such protection becomes vital, particularly for providers as the centre will control the life chances of those committed to educational provision. The more the centre of control becomes, itself, so influenced—the greater the investment in that centre as source of power—the greater the interest in maintaining and extending that control rather than meeting the wishes of the users of the educational source. This is a vicious circle that ultimately benefits almost no one as the diluted accountability and perverse incentives produced by such centripetal tendencies will leave virtually all parties feeling powerless and with little or no room for manoeuvre behind their barriers of 'rights'.

Whilst many individual providers will naturally seek to use their expertise to maximise quality, their representative interest groups will be concerned to protect their members' commitment to educational rather than other careers and to maximise their returns on such commitment. Those providers with the least marketable skills or levels of performance will most need such protection. Given a centralist regime, provider interests will be served by maximising predictability, size of demand, and job security and minimising external interference, performance measurement or other forms of quality control; they will thus lie in government in-kind provision of institutional education, with compulsory attendance as far as possible, little or no consumer choice, information or power and with quality control and performance measurement which is in-house, advisory and does not set specific goals. In short, broadly the present situation in New Zealand. These provider interests will find reflection in those of government administrators who will tend to welcome the predictability and smooth running produced as well as the absence of probing performance measures and unwelcome results. Provider and administrator interests will naturally strive to ensure that increments to government provision are directed at the main institutions and not at new bodies or those which are low in the pecking order of pressure groups and also that government does not force an uncomfortable pace of institutional change.

The accountability problem and the consequent focussing of interests at the centre will tend to mean that discourse at the centre will be narrow and poorly articulated with user interests.⁴ Policies which direct inputs towards priorities for providers and administrators rather than for users may come to dominate and

seem natural and inevitable.⁵ Hence, there is increasingly little of relevance for any system of accountability to hook onto. Possibly because educational providers have more time and inclination to ponder educational matters and can claim professional expertise, the problems created by centripetal tendencies and the distinction between provider and customer interests has not been widely commented upon until recently. The most widely known attack on provider interests has been by Ivan Illich⁶ who has proposed dismantling the whole institutional structure as self-serving and ineffective.

Given the combination of supplier pull and consumer push for more government intervention and the interests of educational providers and administrators in maximising institutional structures subject to weak quality controls, we think it more likely that government provision to the major educational institutions (as opposed to education per se) exceeds rather than falls short of the optimum level. In so far as it does exceed the optimum level, government intervention is imposing a net cost. Further, it is reinforcing the costs of institutionalisation referred to earlier. Thus, both in terms of the performance of educational institutions and of the weight given to them as against other educational sources, government expenditure is liable to be significantly inefficient and ineffective. Education provides an illustration of the ineluctable tendency for any government programme to grow incrementally where not explicitly resisted.

The *third* problem with government's own role is that of choice. Who chooses becomes divorced from who benefits or who pays. The state, whether explicitly or implicitly, may be determining the educational agenda and the priority between the different functions and sources of education. Some state interventions will run against others or against privately held agendas in their effects. For instance, equity concerns tackled through in-kind provision may lead to less choice between education sources, as less heavily subsidised suppliers are crowded out, thus exacerbating the lack of consensus over education and increasing efficiency concerns. The state in, say, pursuing equity objectives in relation to the fulfilment and integration functions of education may displace privately held objectives in relation to the economic function. This tension itself results from tensions between educational functions or in their interpretation.

The state's choice is not the end of the story, it is only round one. Groups who do not find the state's agenda beneficial are liable to act to modify the impact of the state's intervention in practice, for example privileged groups seeking to use the state systems to further rather than undermine their privilege. If the state resists such counter moves there will be further rounds of the 'game'. For this reason, state intervention which seeks or is likely to disable the choice by a particular group of its educational agenda is liable to meet resistance by that

group and may be sidetracked or turned around. By contrast, enabling intervention will be more positively received by those groups or individuals whom it enables.

The *fourth* problem is that of payment for the costs of government intervention. Whatever the benefits of government intervention in education, there are unavoidable opportunity costs. Government funded demand for education is liable to be substituted for demand from private individuals which they or their agents would have been prepared to fund themselves. If the intervention involves expenditure then there will either be less funds available for other areas of expenditure or less opportunity for lower overall government expenditure, with all the consequences for avoiding the transfer costs of revenue raising—40 percent or more⁷—and for achieving lower taxation, borrowing, interest rates, inflation and greater business growth.

We now move to the second type of general difficulty arising with government intervention: that of delivering the desired correction to any of the four elements, listed on page 34. In intervening, the Government may create its own dilemmas between competing aims or methods and, in its impact on individual decision makers, may create distortions or side effects which negate or partly counteract the thrust of intervention. Taking *group equity* concerns first, there are problems of definition—which of the various possible equities is being aimed for or what are the priorities between these equities—and, of determining whether state intervention helps or hinders. The Government in pursuing equity goals may pursue equity in educational access or process or equity in outcomes in relation to any or all of the four functions of education. The Government may pursue vertical, horizontal, race, gender or locational equity. Equity in any one aspect may not necessarily lead to equity in another and indeed might be counterproductive, just as the functions of education may themselves potentially conflict. Hence, establishing clear goals and priorities for government intervention is extremely difficult. Despite apparently equal access to education and despite heavy emphasis on broad equity objectives in much educational literature, major inequalities persist; individuals are not equal when they come to the state provided educational system and they are not equal when they leave. Some research evidence suggests that such education makes very little if any difference to the relative position of most groups.⁸ The state, in intervening in education for equity purposes, may make the educational sources concerned: less flexible in responding to what is brought to, or sought from, education by disadvantaged individuals or their agents; more prone to capture as a whole by particular non-disadvantaged interest groups; and more prone to domination by a particular educational agenda. These effects may reduce rather than further some kinds of equity in education and suppress differences between different individuals' needs and abilities.

State intervention to deal with the *agency problem* may reduce parental responsibility if parents react by further reducing their own efforts towards educating their children and by transferring additional responsibility to state. Parents may underestimate the long-term investment benefits flowing from their own contribution to their child's education and overestimate what educational institutions can achieve. If the direct cost of institutional education to the parent is reduced by state subsidy then it is liable to be consumed more—whatever the value that the parent places on the education, provided it is greater than zero. As parents will value their own time, the state—by subsidising an alternative educational source to the family—is, in effect, imposing a fine on those who wish to utilise their own time to act as an educational source for areas ostensibly covered by the subsidised source. In consequence of these factors, the transfer of responsibilities between family and educational institution may go 'too far' in that the distribution of responsibility between the two sources is not optimal. For instance some families may hold institutional education responsible for developing their children's reading skills, not recognising the importance of their own role. State intervention may similarly reduce the responsibility of young people in making their own decisions by shielding them from the resource costs or the implications of their own decisions. These problems are likely to be reinforced by the advantages for providers of expanding formal education—even into areas where it is inefficient.

State intervention to obtain *social benefits* not captured by the individuals being educated or by their agents runs the risk that such benefits will prove illusory or will largely be captured by the individuals/agents concerned. Thus, for instance, the benefits of a more 'cultured' population that might be claimed to result from higher education may, first, not occur and, second, may prove to be of benefit only to those members of the population who are 'cultured', that is largely those who have undergone higher education. Government subsidy of individuals' education costs will increase the number of individuals or their agents who find the benefits to them from education greatly exceed the costs. Such individuals will in consequence tend to pursue more education than they would otherwise have done. To the extent that they pursue personal benefits which bring social benefits, the effects may be judged desirable. To the extent that they pursue at public expense either consumption benefits, for instance enjoyable lectures, or positional benefits (leading to the familiar problem of over-qualification), the use of public resources will not be efficient. Hence, the state may succeed only in socialising the costs not the benefits of education.

Intervention to deal with *operational efficiency* concerns is liable to create its own inefficiencies by substituting the ruminations of central bureaucracy for the ability of individuals to choose between alternative providers and, if in the form of a subsidy, reducing the transparency of operation of that sector. State intervention is liable to quash or discourage the development of new or experimental

forms of education provision to meet changing educational demands but which cannot readily be accommodated within existing institutional forms. By removing or reducing direct accountability to users, pressure on providers to perform well will be reduced and the institutional costs discussed earlier will grow, lowering the efficiency of providers.

In addition to costs within the educational sphere of government intervention, there are side-effects outside education. For instance, the provision of state subsidised education will reduce the costs to parents of child rearing, hence encouraging child bearing and affecting the birth rate.

Conclusions

In sum, government intervention is liable to reduce freedom of choice and thereby curtail the sphere of responsibility of its citizens and weaken the self-steering ability inherent in society to reach optimal solutions through the mass of individual actions pursuing free choice without any formal consensus. Government intervention produces its own internal dynamics and hence problems. Quite apart from those problems, the impact of intervention for each of the four reasons listed on page 34 has significant potential to achieve the opposite of the desired effect.

The focus of government is intervention in education that would be expected to flow from any (and thus all) of the four possible reasons for intervention appears to be weak or lacking in the practice of public provision of education in New Zealand. The consequent issues arising will be discussed in greater depth in the following chapters. Here, it may be noted that: if equity concerns lie behind government intervention, then it would be expected that such intervention would be targeted at those most disadvantaged—by whatever definition—and would be flexible to deal with disadvantage as it occurred. This is only weakly the case. If the agency problem lies behind government intervention, then it would be expected that such intervention would focus on assisting and guiding parents and resourcing the family. This is only minimally the case. If societal costs and benefits lie behind government intervention, then it would be expected that such intervention would focus on areas that were not of individual benefit and/or would seek to encourage or enable individuals to link their benefits with those of society. This does not appear to be the case. If efficiency concerns lie behind government intervention, then it would be expected that such intervention would focus on developing and maintaining standards and inspection of standards. This is scarcely the case. Hence, it appears that the costs to government intervention have come to dominate the benefits.

In attempting to redress the situation and safeguard the life chances of our young people and New Zealand's future the *key element*, as will be discussed in the following chapters, is empowering, through choice and through maximising information flows, the family, parent or individual as the customer of educational sources. As a *second best*, where the nature of government intervention does not fully permit this, other areas to be addressed are:

- i the need to specify as precisely as possible the justification for and consequent goals of government intervention in each area of education;
- ii the need to establish and discuss the educational agenda resulting explicitly or implicitly from government intervention; more than one agenda may be appropriate;
- iii the need to set targets for and measures of achievement of Government's goals, backed up by research programmes and a preparedness to face up to and act on unwelcome results;
- iv the need to appreciate the different roles and contributions of different sources of education and to optimise the contribution of each separately and collectively in support of each other. This may mean establishing mechanisms to redirect government intervention from main institutional to other sources of education;
- v the need to recognise the different interests and values of different cultural groups, notably Maori people, and to reflect this;
- vi the need to counter the costs of government intervention by setting up countervailing forces to centripetal ones and to those of provider and administrator interests by:
 - clear systems of incentives and managerial accountability, which are enforced through effective quality control measures;
 - greater power (*ante facto* not *post facto*) by students, parents and employers in decision making at institutional level.

The need for greater community involvement and concern over Maori education have been themes turned to in New Zealand educational studies and reviews over several decades.⁹ The apparent inability to resolve these problems arises, we suggest, from an unwillingness: to empower the consumer; to address the conflicts of interests and priorities that may arise in education and acknowledge the costs not just the benefits of government intervention; to accept the value and potential of educational sources outside the main line institutions; and, to recognise the difficulty in changing the direction of those institutions without establishing countervailing forces and controls. The areas listed previously aim to tackle these problems.

Notes and References

- 1 See for instance Berg, Ivan. *Education and jobs*, N.Y., 1970 and Thurow, L C. 'Education and economic equality', *The public interest*, Sumner, 1972. Current thinking is well summarised in Blaug, Mark. *Where are we now in the economics of education*, London, 1983.
- 2 OECD. *Reviews of national policies for education: New Zealand*, Paris, 1983.
- 3 See, for instance, the Department of Education section in the *Commentary on the estimates of the expenditure of the government of New Zealand* (various years), Wellington.
- 4 The recent *Curriculum review* might appear to belie this fear. However, as with the Educational Development Conference in 1973-4, very wide consultation with the public was carried out within well defined and controlled (by educators) limits, with quantitative information eschewed and with conclusions determined within the educational community. In the 1973-4 exercise, views were sought on new directions for educational development rather than on education's role in a broader context. (See McDonald, Geraldine and Livingstone, I (Eds). 'Education and the future of New Zealand' in *Looking forward: essays on the future of education in New Zealand*, 1984.) The issue booklets utilised for the *Curriculum review* similarly directed discussion within an educationalist perspective and suggested certain issues rather than others for debate (and indeed gave some hints as to possible answer). No attempt was made through the review to inform the public of key national or international research findings, measures of success or problems within the New Zealand educational system or of the main issues under discussion and thrust of development in other advanced countries. Hence the review sought to channel but not to inform public response. Even so, the final report (*The Curriculum review: report of the committee to review the curriculum for schools 1987*) offered no statistical interpretation of responses. Instead, the conclusions and recommendations reached appear to be those of the committee, drawing selectively from public responses as convenient.
- 5 See for instance Coleman James S et al. *High school achievement: public, catholic and private schools compared*, NY, 1982, on the importance of qualitative factors behind school performance, Hanuschek, Erik A. 'The economics of schooling : production and efficiency in public schools' in: *Journal of economic literature*, XXIV, September, 1986 pp 1141-1177, analyses the results of 147 separately estimated educational production functions in the US. The analysis finds no strong or systematic relationship between school expenditure and student performance. Similar conclusions have been reached by OECD and World Bank Studies looking at results internationally: OECD *Indicators of performance of educational systems*, Paris, 1973; and Haddard Wadi'd. *Educational effects of class size: World Bank staff working paper no.280*, Washington, 1978. This is not to say that, notably, enriched teacher/pupil ratios may not assist in some specific circumstances if utilised in particular ways. Thus the (only?) pertinent New Zealand study—Education, Department of. *Mathematics achievements in New Zealand secondary schools*, Wellington, 1987—indicates that reduced class size does help when all the other variables were controlled for. The weight of evidence is that there is no necessary such linkage and that it is the way resources are utilised *more* than the scale of such resources that matters. The efficiency of the educational source rather than the generosity of its funding is the key. Research evidence internationally can be summarised as concluding that the variables that effect student achievement relate 'much more to the way in which resources are used ... than to the level of resources per se'. (Rosmiller, Richard. *Achieving equity and effectiveness in schooling*, University of Wisconsin, Madison, 1986, p 5.)

- 6 Illich, Ivan. *De-schooling society*, London, 1971.
- 7 Marginal transfer costs are estimated at anything between 25 percent and 100 percent or more of the additional tax revenue raised. Calculations are not available for New Zealand but see, for instance, Stuart, Charles. 'Welfare costs per dollar of additional tax revenue in the US', *American economic review*, 74(3), 1984, pp 352-62; or Findlay C C and Jones R C, 'The Marginal cost of Australian income taxation', *Economic record*, 58, 1982, pp 253-266
- 8 Jencks C et al. *Inequality*, NY, 1974; concludes that schooling makes little or no difference to career outcomes whilst family background and luck does.
- 9 See for instance the Commission on Education in New Zealand (The Currie Commission) *Report of the commission on education in New Zealand*, Wellington, 1962; the Educational Development Conference *Directions for educational development: a report prepared by the advisory council on educational planning*, Wellington, 1974; and *The curriculum review*, op.cit, (ref.4).