

**Independent Schools Council  
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**Education: The Way the World Should Be**

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## **EDUCATION: THE WAY THE WORLD SHOULD BE**

At the end of last year, Professor Richard Epstein of the University of Chicago Law School gave the inaugural Sir Ronald Trotter lecture in Wellington on the role of the state in education. He ended with the following remarks:

Whenever somebody tells you that something is special, remember that the history of government failure is littered with arguments that this, that or the other thing is special. We had labour unions in the industrial sector because it was special; we had Medicare in health because it was special; we had subsidised public housing because housing was special; we had price controls in agriculture because it was said to be special. It turns out that there is nothing special about anything. A few central principles consistently applied will tell you the appropriate scope for individual choice on the one hand and for government action on the other. Education is not a case of overgrazing of a common. It is not a case of negative externalities from pollution. It is not a case of a man who has to have access to a dock in order to escape a raging tide or sea. Education is the stuff of ordinary transactions, which should be as routine as we could possibly make them if only we had the wit to allow our imaginations to run wild with our schooling instead of with engineering our social arrangements.

The transformation of the New Zealand economy since the mid-1980s has been due in large part to this very insight. We don't treat farming as special any more, and how many farmers want to go back to being wards of the state? Our labour laws are no longer special - they are essentially a branch of general contract law. Apart from a few judges who try to avoid reading the statutes parliament sends them if they can possibly do so, how many people want to return to our old regulated and adversarial system?

Telecommunications was once regarded as special. The job was done by a government department and the service was lousy. Members of parliament got more complaints about telephones than anything else. Now the job is done by the private sector, there are few special rules, and we have one of the best telecommunications systems in the world.

We have started to apply the same principles to the delivery of social services. Housing assistance is delivered by what is effectively a housing voucher - the accommodation supplement. Those who need help now have choice and competition - they can go to any landlord, public or private. Today there is far less fuss about housing than there was a few years ago. Local authorities are recognising that they no longer need to be involved in housing.

Where has New Zealand made least progress in securing the benefits of choice and competition? You all know the answer: education and health. And what are the two main sources of community dissatisfaction and political trouble spots today? - the same two areas. Education and health stand out as islands of central planning in today's open, consumer-oriented economy. They are by far our largest state-run enterprises. Government schools and hospitals dominate both sectors. They are quasi-monopolies, because the cards are stacked against private sector competition. Can anyone seriously suggest that the problems in those areas compared with the rest of the economy are just a coincidence?

What are some of the typical problems associated with large, centrally planned state enterprises? There is a wealth of evidence to draw on - our own, the National Health Service in Britain, the US postal service, enterprises in the former Soviet Union and a host of other examples around the world.

First, they tend to be high cost and to turn out low grade products. Almost everywhere the introduction of competition and privatisation has cut costs and improved quality. State education is no different: its costs keep rising and there are incessant demands for more money. Studies have found that private schools typically operate on lower costs.

Second, state-run industries are technologically backward. We teach children today in school in much the same way as we did 100 years ago. Yet in the other information industries technological innovation is explosive.

Third, they have great difficulty balancing supply and demand. In the Soviet Union the result was queues outside the shops. In hospitals the problem is waiting lists. In education it is the inability to enrol in popular schools, and the unavailability of alternatives. This is especially a problem now that New Zealand has become a much more dynamic and fast-growing economy: the bottlenecks are arising not in unshackled industries like telecommunications but in government-controlled activities such as schools.

Fourth, no one who works in state monopolies ever seems happy. The symbol used to be the surly Aeroflot and Air New Zealand flight attendants. Today low morale seems to be an endemic problem among teachers. Think of the word 'angry' and the word 'teachers' immediately springs to mind.

Fifth, employment in a state monopoly and low pay often go hand in hand. Teachers trade their services in what is essentially a monopolistic (single-buyer) market. They have little choice but to accept whatever offer the buyer makes. They are represented by monopoly unions whose interests are first and foremost to maintain their monopoly position. Teacher unions have turned down pay increases for teachers rather than accept more flexible employment arrangements that would threaten the union's power.

And sixth, whenever we have a big, government-controlled system, we inevitably have a never-ending political struggle about how it is to be run. Consumers of education services can't just go down the road and make their own choices, or even band together to make the key decisions about their local school - such as whom to employ and on what terms. As voters they have to engage in a messy and diffuse political process in which education is bundled up with everything else. Fierce battles are waged over the curriculum. Organised groups such as teacher unions wield enormous power relative to parents. Minority interests - such as those wanting, say, a religious or Maori style of education for their children - lose out. Why does something as basic as education have to be organised in this hopelessly politicised way?

The Picot Task Force recognised many of the problems of an over-bureaucratic, centralised education system, and advocated moves to decentralisation and local autonomy. But there was a fatal flaw at the heart of the Picot report. Essentially its vision for greater parental control was the establishment of school boards of trustees run mainly by parents. It was a bit like the idea of community-run factories in the former Soviet Union. Picot confused the role of parents as consumers with the role of

parents as managers. Most parents don't want the chore of having to run their own schools, and many of them are not good school managers. Most parents on the other hand want good education and are discerning consumers. The Task Force was aware of the arguments for consumer choice and competition, and even wrote a chapter on the idea of vouchers, but in the end was too timid and dropped it from its report.

As a result, we have ended up in a muddle: in some ways today's system is more decentralised, but in others it is more centralised than before. Some of the planned moves to decentralise decision making never happened: property management remains centralised, salary bulk funding has been resisted tooth and nail, and teachers are still employed on one of the country's last national awards. Employing teachers on individual contracts like other professionals still seems a long way off. Over time, those at the centre have sought to reassert their power. We can see this at the moment with the push to reintroduce compulsory teacher registration and a form of school zoning. It is most dramatic in the case of the national qualifications framework, where what began as a light quality assurance concept has turned into a bureaucratic monster called the New Zealand Qualifications Authority which is seeking to micro-manage the content of New Zealand education in a way that would have been the envy of a Soviet educational planner.

Do we have to put up with all this nonsense - the industrial thuggery at Waimea College, the motley gaggles of teachers marching down Queen Street and Lambton Quay, state schools closed due to industrial action leaving parents and students stranded, the social engineering mush still coming through in the curriculum statements, the exit of many of our best and brightest teachers from education, and so forth?

Of course we don't. Education is as basic as food, which we would never dream of putting under governmental control. It happens everywhere - in the family, on the job, in our leisure activities. The teacher unions are fond of telling us that it takes a whole village to raise a child, but that isn't an argument for government schools, still less a guideline for the ideal teacher:pupil ratio as they seem to imagine.

There is private education all around us - driving schools, typing schools, language schools, drama schools, Sunday schools, bible colleges, independent schools, private training enterprises, workforce training and much more. Some of these institutions are for-profit and some are not-for-profit. Most of them rely mainly on their own resources, not on government funding. Most of them are not heavily regulated. All of them depend for their survival on delivering a service that consumers value.

I suggest we need to rethink the role of the government in education - or more precisely its three key roles as owner, funder and regulator of the education system.

I find it very hard to figure out why the government needs to be the predominant owner and manager of schools, or for that matter universities and other tertiary institutions. To ensure a good education for everybody the government doesn't need to supply it. In housing it has decided its role is to underwrite access to housing to those who need help and to allow them to choose their preferred supplier. It is allowing sales to tenants and sees no need to enlarge its overall housing stock.

Why not adopt a similar approach to education? Why does the government have to build the dozens of schools that are likely to be needed over the next 20 years to cater for economic and population growth? Why not simply purchase schooling on behalf of the community from the private sector? If enrolments in private schools attracted

the same income as enrolments at state schools there would surely be plenty of interest in helping to meet the demand. And why should the government rule out handing over some existing state schools to their local communities to be run as trusts if local communities wished?

As far as the government's funding role is concerned, independent schools have long made the case that parents opting for private education are discriminated against - they pay once through their taxes, again through their fees and again through GST. Accordingly they have argued for higher state subsidies to independent schools. Those are perfectly valid arguments, but I think a better approach is to emphasise the government's purchasing role rather than its role of supporting providers, i.e. schools - either its own or those in the private sector.

Viewed this way, it is hard to see why the government would not treat all schools on a comparable basis. Essentially there are two options: either independent schools could integrate under the present legislation to qualify for equal state funding, or they could remain independent and receive the same funding for every student they enrol. Clearly the latter option is preferable: it helps preserve diversity and the special characteristics of independent schools that parents value, and it prevents the state system becoming even more monolithic. It should be a particularly attractive option in the eyes of those who regard independent schools as currently elitist: it opens up access to them for all income groups.

Such an approach would not be a large step from where we are now. Directly resourced schools are now more or less funded according to enrolments, and the Targeted Individual Enrolment (TIE) scheme has enlarged access to private schools for a specific group. The main outstanding step is to treat all students enrolled at independent schools on the same basis. There is plenty of scope for debate over such things as the level of per pupil funding, whether parents should face some costs (as they do now with activity fees and the like), and whether there should be higher entitlements for students with special educational needs. Personally I am sympathetic to the argument that it makes little sense to raise a large amount of tax only to give it back to the same people through services such as education. In the case of better-off people, it would seem to make more sense to cut taxes and require them to meet more of the costs of those services themselves. However, I will not pursue that issue here. My main point is that the government should be neutral in its funding policies as between public and private schools; whether it should be neutral as between households is a point that can be debated separately.

In a more decentralised and less state-dominated education system, I think there would also be a lesser role for the government as a regulator. I think there is a case for some level of compulsory education, as young children are not in a position to make informed decisions for themselves, and some parents are neglectful. Given compulsion, truancy laws would also be justified. However, I have strong doubts about the wisdom of pushing the school leaving age up and up, and we should make allowances for options such as home schooling.

I am in more doubt when it comes to issues such as a state-mandated curriculum and qualifications system. Liberal philosophers have always regarded such interventions with suspicion; they can become vehicles for social indoctrination. In an education system that is more diverse and more responsive to parent choice, I think it follows that there is a weak case for a large dose of central prescription. We would certainly be better off not having some of the present curriculum and qualifications initiatives that are being imposed on schools. Possibly the government could establish a

framework which schools could opt into or, less desirably, opt out of. It should maintain a respected system of external examinations for appropriate subjects, but should do nothing to discourage the development of alternative local or international examinations.

There is no doubt that a world of less government ownership, less or different forms of government funding, and less regulation is viable, and in my view it would have great educational advantages. The private sector plays a much larger role in some countries than in New Zealand. In Holland, around 70 percent of students attend private schools, and in Australia the figure is around 30 percent. In the highly successful Japanese school system there are large elements of competition and a substantial private sector. In China, parents pay a significant part of the costs of their children's education and for-profit schools are springing up everywhere. Sweden has introduced the world's most comprehensive education voucher scheme, and in the United States the success of voucher initiatives on state ballots seems only a matter of time.

It was interesting observe the reaction to the recent publication of the book on the welfare state by David Green. His argument is that there should be a rolling back of the state in areas such as education, which should primarily be the responsibility of what he calls civil - or non-political - society. The book seemed to touch a chord: while there were the expected howls of outrage from some academics and welfare lobbies, overall the response was thoughtful and generally favourable.

Some critics made a point that is relevant to the issue of education. They argued that the welfare state had developed because earlier systems had failed. As historians of education such as E G West have shown, nothing could be further from the truth as far as education is concerned. Rather, nationalisation of education was part of a profound revolution in political and economic thinking around the world towards the end of last century. This led to our so-called socialist century in which governments planned economies, ran industries, and extended their reach into vast areas of social life.

Over the last 20 years or so, political thinking everywhere has moved in the opposite direction. Governments have accepted that they were wrong to believe they could run enterprises better than the private sector, and the evidence has grown over the last 30 years that they have done a relatively poor job of delivering social services as well. The World Bank has talked of three waves of privatisation: first, commercial undertakings such as steel mills and airlines; second, infrastructure such as electricity and water; and third, social services such as health and education. All the evidence suggests that the moves in this direction still have a long way to run.

If New Zealand is to extend in education the kind of reforms that have been so beneficial in other parts of the economy, it will require people like yourselves to argue for them. You understand better than anyone else the advantages of private education.

It is not a difficult argument to sell. New Zealanders have a generally high opinion of private schools, even though not all of them deserve it. They know they tend to provide what most parents want from education: effective discipline, high academic standards, high quality staff, emphasis on social values, and, for some, a religious orientation. There is reliable polling evidence that they are favourably disposed towards education vouchers. Maori and other minority groups are interested in having more choice and autonomy.

There is nothing 'right wing' about such arguments. Mike Moore wrote recently that he was amazed to discover at a recent Labour Party branch meeting that half the parents sent their children to private or integrated schools. British Labour Party leader Tony Blair and President Clinton have opted for non-state schooling for their children. As governor of Arkansas, President Clinton favoured voucher financing of both public and private schools. If parties on the so-called left could free themselves of the influence of vested interests such as teacher unions, they should be leading the charge, because choice offers the greatest advantages to less privileged families.

You are all respected people in your communities. You will be listened to if you speak out on education, and the argument will not be won without arguing it. It's no use politicians putting it forward in a half-hearted way on the other side of the world and then saying they didn't really mean it. It's no use leaving the job to representatives of business. It's no use hiding behind Jan Kerr even though she has done a superb job in making the case for private education. As chairpersons and principals you must play a greater part.

I was struck by the remarks of David Loader, the principal of a prestigious Melbourne private school, earlier this year. He argued uncompromisingly that universal, free state education should be scrapped and all education should be based on means-tested fees. "I believe we should totally do away with the state system and talk about having schools responsible directly to the local communities," he said. This would allow greater responsiveness among schools and do away with uniformity. Mr Loader argued that governments should underwrite access and provide a broad framework within which the education system would operate, but beyond that there would be no centralised control.

Naturally he was roundly condemned for his views by the Australian Education Union and other education lobbies. You will share the same fate by speaking out: *Morning Report* can be relied upon to present your remarks in the worst possible light, and to solicit orchestrated opposition from the usual quarters. If ever there was an organisation that should be privatised, or at least be forced to earn its income on a contestable basis, it is public radio. Other media, however, will give you a fairer run.

And when you are in the middle of the fray, remember this: those whom you are trying to persuade are not the producers and journalists on Radio New Zealand News. They have been on the losing side of most of the arguments in recent years, because ultimately their arguments didn't stand up. The ultimate arbiter in this debate, as in all the others, is the court of public opinion. The public is not stupid; it listens to arguments; and opinion has changed enormously in the last 10 years. Think what New Zealand might be like in 10 years' time if we could raise the performance of those stand-out sectors, education, health and welfare, up to the level of the rest of the economy. If enough people put their arguments to the public patiently, intelligently and fearlessly, I see no reason why that can't be done.