

Vouchers Reconsidered

The marketisation of education and prospects
for social democratic reform

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This work contains no material which has been accepted for the award of any other degree or diploma in any university, and to the best of my knowledge and belief, this thesis contains no material previously published or written by any other person except where due reference is made in the text of the thesis.

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Introduction

“[Education] is – without a doubt – an opportunity for the true use of the power of a human being, through cooperation between one person and another. This opportunity is an absolutely irreplaceable element in the development of knowledge or art; a development that is not focussed solely on individuals, nor on the groups and organisations – both small and large – that make up the state, but rather one focussed on society as a whole, viewed as a single body.” (Thorbecke, 2009 [1829]: 44)

Education vouchers have been a highly controversial subject of welfare state policy debate in the last thirty years. Arguments have predominantly been waged between supporters of state education, and neoliberal advocates, with each side for the most part talking around the other. The sharp division between support for public and private provision has hampered pragmatic appraisals of specific policy arrangements, a still under-theorised area of inquiry to which this thesis contributes. This thesis seeks to deconstruct and recast vouchers as a potential policy tool for achieving social democratic goals.

Vouchers are tied, demand-side subsidies, provided by government to parents or students to be used at the accredited public or private educational institution of their choice (Daniels & Trebilcock, 2005: 145). Milton Friedman is often depicted as the architect and icon of contemporary voucher schemes, but education vouchers long pre-date Friedman’s influential 1955 treatise on the subject. The notion of a public subsidy to privately-provided education was advocated in principle by both Adam Smith and Thomas Paine (West, 1967), and voucher schemes existed in America as early as the 1870s in the states of Vermont and Maine. The voucher-like system of education funding in the Netherlands was inaugurated in 1917, and even as Friedman wrote in the mid-twentieth century, vouchers were used for a brief period in the southern states of America to organise ethnic segregation in schools. The long, varied history of education vouchers is not, however, depicted in most of the literature on the subject. Vouchers are overwhelmingly viewed as a neoliberal policy instrument entailing the retreat of the state from the provision of schooling. This has likely stemmed from the ideological and philosophical influence of Friedman’s utopian neoliberal vision.

This thesis seeks to understand, in way which has not been previously pursued, the processes by which education vouchers have been constructed as a tool of ‘actually existing neoliberalism’, a frame which describes the ongoing role of the state in the extension of market-oriented logics and the re-regulation of perceived-as-‘free’ markets (Brenner & Theodore, 2002). It takes the view that education vouchers are best understood, not as the retreat of the state, but rather as a form of ‘publicly-directed consumption’, wherein the state continues to actively shape the goals and outcomes of privately-provided schooling in the pursuit of particular social values (Valkama, Bailey & Elliot, 2010), depending on the character of regulation of voucher schemes.

The thesis conducts an international comparative study of education voucher schemes, which reveals that few education vouchers closely resemble the proposal outlined by Friedman, and that the outcomes of specific schemes vary significantly with different arrangements of state regulation and oversight. Considering the problems and prospects of education vouchers in theory and practice, a policy proposal is developed for social democratic reformist vouchers, to be implemented in unequal, highly neoliberalised nations such as the United States and Australia.

Driving the analysis in this work is an historical institutional conception of economic development, which views the state, market, and society as inter-related and co-constitutive. It is argued that the neoclassical frame of analysis which has contributed to the depiction of vouchers as an efficiency-driven tool for increasing competition and decreasing government intervention in welfare provision is abstract and inadequate in its understanding of economic agency and change. Embodied in the political processes of neoliberalisation, neoclassical economics draws a separation between the state and the market, and an analytical trade-off between the goals of equality and efficiency, both of which are destructive of practical welfare state policy. This paper brings together the ideas of institutional ‘reconstitutive downward causation’ (Hodgson, 2000), and the ‘always-embedded’ nature of markets within society (Block, 2003), to contest the neoclassical view, positing an alternative understanding of welfare state policy as an embodiment of social values, and the market as an institutional tool in the process of welfare provision. This perspective informs a pragmatic appraisal of education vouchers as a potential tool for achieving social democratic policy goals.

The proposal for social democratic reformist education vouchers which emerges from the analysis represents a strategic tool for egalitarian reform in nations where neoliberalism is significantly entrenched, both discursively and by vested interests. More than a spectre, the neoliberal poltergeist has changed the game for welfare economics. The path-dependent development of the residual liberal welfare state is resistant to radical structural change, calling for pragmatism and compromise in the tools of reform from the social democratic left. The future of the left in the highly neoliberalised nations of the world depends upon a strategic approach to policy-making which does not make the same analytical abstractions that view the state and the market as fundamentally, theoretically and politically, antithetical. Nevertheless, this paper does not support, and indeed actively opposes, the compromise in values which has underpinned Third Way responses to the challenge of entrenched neoliberalism, effectively amounting to an extension of neoliberal and fundamentally unequal premises. The goals of substantive equality of opportunity and freedom, toward more egalitarian outcomes, are essential to the vision of social democracy to which this paper subscribes.

The paper proceeds in four sections, before a conclusion. The first chapter provides a review of the education voucher literature, summarising the debate between supporters and opponents, both of whom predominantly conceive of vouchers in terms of the retreat of the state. It advances the view of a more useful but still under-theorised scholarly treatment of vouchers,

which sees vouchers as a form of publicly-directed consumption, and goes on to extend this frame to understand the construction of vouchers as a tool of actually existing neoliberalism.

The second chapter turns its attention to the influential voucher proposal advanced by Milton Friedman, challenging the theoretical and philosophical underpinnings of his depiction. While few voucher schemes closely resemble the mechanics of Friedman's policy, his normative justification of vouchers in terms of the positive externalities of widespread education has been mirrored by most contemporary advocates, and his limited, formal understanding of equality of opportunity has significantly influenced the construction of vouchers in the neoliberal era. The chapter questions the ideas which underpin Friedman's influential legacy, confronting the analytical tools of neoclassical welfarism and libertarianism, and advancing instead the historical institutional approach, and the normative framework of positive liberty and substantive equality.

Chapter 3 provides an international comparative study of voucher schemes in practice, in the United States of America, Sweden and the Netherlands. It shows that while very few voucher schemes simulate the mechanics of Friedman's policy design, those which are informed by a limited conception of equality of opportunity fail to provide increased equality or freedom, and in some cases actually exacerbate existing socio-economic inequalities. The chapter demonstrates that the outcomes of voucher schemes vary significantly depending on the state's direction of education through regulation and oversight, reflective of the philosophical and normative underpinnings of policy, as well as the historical institutional structures of different welfare states; liberal, social democratic, and conservative (see Esping-Anderson, 1990).

The final chapter outlines the proposal for social democratic reformist education vouchers, designed according to the principles of positive liberty and substantive equality of opportunity, inverting the normative justification of Friedman's vision. The chapter elaborates the inadequacies of Third Way approaches to welfare state policy and voucher scheme design in particular, and goes on to justify the alternative reformist vouchers presented as a strategic tool to be applied in nations such as the United States and Australia. The chapter recognises the merits of publicly-provided school choice alternatives, but advances social democratic reformist vouchers as most useful in nations where neoliberalism is significantly entrenched by path dependent welfare state development, shaped by policy drift and vested interests.

1. Vouchers as publicly-directed consumption

In contemporary debates about education funding, vouchers are predominantly associated with the retreat of the state from the provision of education through the deregulation and privatisation of schooling, in accordance with their depiction in Milton Friedman's market-fundamentalist vision. Proponents of vouchers tend to champion the efficiency improvements to be derived from a competitive market in education, while critics highlight the inequalities and social cleavages that arise from the privatisation or marketisation of public services. This conception of vouchers has only dominated the literature in the last twenty to thirty years, since the ascendancy of neoliberalism as the dominant economic policy-making framework. In the nineteen-sixties and seventies, following Friedman's contribution, the goals and design features of voucher schemes were still being contested. This thesis contributes to the still under-theorised field which continues to contest the ideas that underpin education voucher systems, recognising the heterogeneity of voucher schemes, and questioning standing assumptions about policy design. Moreover, it seeks to understand the construction of education vouchers as a neoliberal policy instrument, in a way which has not been explored elsewhere in the literature. While vouchers have been debated primarily in terms of their theoretical neoliberal depiction, in practice they operate very differently. Crucially, the dominant conception of vouchers in terms of the retreat of the state obscures the significant ongoing role for governments in the creation and supervision of competitive markets in education. This dynamic is as true of education vouchers as it is of other neoliberal policies described nominally as privatisation or deregulation, but actually entailing a central role for the state in implementing and extending the reach of free market logics. An alternative way of thinking about voucher schemes, as systems of publically-directed consumption, recognises the ongoing institutional control exercised by governments over systematically-created markets in education, making way for a richer assessment of voucher schemes in terms of their theoretical foundations, and actual operation. This new perspective provides key insights for evaluating the prospects for voucher policy, beyond appraisals based merely on postulations of either market fundamentalism, or scepticism.

Friedman's vouchers, contested in time

Milton Friedman's (1955) education voucher proposal is now widely depicted as the most noteworthy definition of the voucher mechanism, instrumental in sparking contemporary debates about school choice. Its initial influence, however, was marginal at best, as then-dominant economic understandings were resistant to the market fundamentalism that underpinned Friedman's work. In the period 1960 to 1980 vouchers were viewed primarily as a tool for progressive educational reform, in particular in America as a component of the war on poverty (Brown, 2006). Friedman's contribution was recognised, but not authoritative, at the time.

Friedman's exposition on the role of government in education is predicated on an ideological commitment to free exchange as a precondition for individual freedom, and a pretension to rectify the government monopoly over public schooling by simulating the conditions of an ideal

market. Friedman (1955) argues that by expanding consumer choice and demand-side influence on the market, quality of education for all can be enhanced by efficiency improvements which will not occur if education is provided directly by government. The expansion of consumer choice demands widespread access to a variety of providers, so all students are eligible for vouchers under Friedman's scheme, and in order to establish a market of many competitive providers, few restrictions are placed on the supply of education. While Friedman (1955: 127) justifies government finance for schooling on account of the positive externalities of education, he contends that the decentralisation of decision-making and administration of schooling is central to achieving efficiency improvements. Regulation of minimum standards for safety and limited common content is described as the extent of government intervention in supply, and tuition fees are deregulated, allowing schools to set them at a level above the value of the voucher [See table 1.1]. Friedman perceives the flexibility gained from making teacher salaries responsive to market forces as one of the chief benefits of a decentralised, deregulated education market. The introduction of freedom of choice is considered equally as important as instilling the conditions for private innovation, and the ability of private providers to compete on price. Friedman's vision of vouchers is consistent with his understanding of the government as a 'rule-maker' in the process of market operation; defining and enforcing the legislative structures that support competitive markets, but not intervening to direct the distribution of resources in the economy (Friedman, 1982 [1962]: 25).

Table 1.1 Friedman's voucher proposal

Student eligibility	All elementary and secondary school students
School eligibility	All 'approved' schools
Regulation of private schools	Minimum safety standards, limited common curriculum
Negotiation of teacher remuneration	Individual teachers and schools
Can schools charge additional fees?	Yes, unlimited
Can schools deny entry?	Yes, on failure to pay fees
Transport costs included?	No
How is information provided to parents?	Schools market themselves
Voucher value	Less than or equal to per pupil public expenditure on state education

In the years after its publication, the deregulated voucher model which Friedman proposed was not accepted as writ, but rather considered as one of several possible voucher systems, the goals and logistics of which were substantially debated over in the United States. In fact, the first models to gain the attention of policy-makers were voucher schemes designed not to simulate the operations of an unfettered market, but to reduce inequality in educational achievement according to economic background and ethnicity. The 1966 Washington-commissioned 'Coleman Report' on educational opportunity had found that private schools were outperforming public in integration and equality of educational attainment for black and white

students (see Coleman, 1966). At the time, several scholars suggested compensatory voucher schemes, in which vouchers would be restricted to students from low-income households, or graduated in value so that poorer students received larger allocations of funding than wealthier ones (Jencks, 1966; Sizer & Whitten, 1968; Levin, 1968). Christopher Jencks, not Milton Friedman, was ‘the name most associated with vouchers’ (Mecklenburger & Hostrop, 1972: 42). The *Education Voucher Report* by the Center for the Study of Public Policy, headed by Jencks, actually proposed seven general models for a potential voucher scheme, out of which Milton Friedman’s vision was considered the least favourable (Center for the Study of Public Policy, 1970).

Table 1.2 Jencks’ voucher proposal

Student eligibility	All elementary school students
School eligibility	All ‘approved’ schools
Regulation of private schools	Minimum safety standards, common curriculum and standardised testing, central review board for expulsion of students
Negotiation of teacher remuneration	Individual teachers and schools
Can schools charge additional fees?	No, but may seek subventions from churches or federal agencies
Can schools deny entry?	No, random selection for oversubscription
Transport costs included?	No
How is information provided to parents?	Central agency collates and disseminates information provided by schools (eg. size, facilities, teacher : pupil ratio, social composition)
Voucher value	Approximately equal to per pupil education spending on average; Vouchers graded to compensate low-income, disability, or special needs

Jencks became director of the Center at the time of the *Education Voucher Report*, following his own influential proposal for a voucher scheme. Jencks (1966) presents vouchers as a remedy for the ‘organisational sclerosis’ of the state education system, designed to encourage private initiative in provision, and give low-income students the opportunity to move out of ‘slum schools’ and into more mixed educational environments. Jencks favours the extension of regulations designed to put students on more equal footing, including school selection of students on a randomised basis to prevent the exclusion of poor or ‘difficult’ students, and the outlawing of additional school fees [See table 1.2]. Standardised testing would be conducted to set standards in common curriculum content, but schools would be relatively free to assess student performance and determine other aspects of the teaching environment, including teacher accreditation and remuneration (Center for the Study of Public Policy, 1970). While Jencks favours flexibility in this respect, other visionaries of compensatory models stress the importance of centrally-negotiated salaries for teachers, and the right of educators, as workers, to organise and strike (Sizer 1972 [1969]; Coons & Sugarman, 1978:170-6). This position is

cast in direct opposition to Friedman, who views union power as a hindrance to free exchange, inhibiting both freedom and efficiency (Kane, 2002). The experimental application of Jencks' principles in the Alum Rock school district in San Jose, California, became so tempered by local political interests that it was restrained to include only public schools, and proffered negligible results (see Mecklenburger & Hostrop, 1972). However, the theory behind the program reflected a vision of vouchers as a tool for establishing equality of educational opportunity, not necessarily privatisation.

Alternative voucher proposals are diverse, and divergent from Friedman's vision. While Friedman also justifies vouchers in terms of equality of opportunity, his conception of equality differs from that of the architects of the compensatory voucher models. Friedman (1955: 129-30) argues that education vouchers grant the less-well-off access to a choice of providers that is otherwise restricted to those who can afford to pay. However, Friedman's flat-value vouchers are not designed to compensate for socio-economic disadvantage, and schools' ability to charge unlimited fees of students beyond the voucher would uphold restricted access on account of income differentials. Chapter 2 will explore in greater detail the theoretical contradictions of the Friedmanite model, but it is important to mention here that the equality goals of Friedman's scheme are substantially different from those presented in compensatory models. Arguments by the latter in favour of vouchers were driven not by a belief in the merits of a competitive market, but a desire to redress socio-economic disadvantage. Despite a perceived need for decentralisation, it was generally asserted that 'the marketplace should not be the total arbiter of educational quality' (Sizer, 1972 [1969]). Contrary to Friedman, most education voucher theorists were concerned with how vouchers could be used to promote equality of opportunity, not as a means of bringing into more effective play 'the forces of the market'. The contestation of ideas about vouchers prior to the neoliberal era, and the circulation of voucher schemes quite different from that proposed by Friedman, allows us to draw a link between the rise of neoliberalism and the growing dominance of conceptions of vouchers in terms of Friedmanite privatisation and deregulation.

Neoliberalism, and vouchers as the retreat of the state

The ascension of neoliberalism as an economic ideology began to influence policy-making from the nineteen-eighties, in theory promoting a retreat of the state through policies of privatisation, deregulation and marketisation of public services. From around the same time, education vouchers became viewed primarily as a form of privatisation, predicated on the creation of a competitive, decentralised education market. Both proponents and critics since have tended to describe and debate vouchers in terms of the impact of free market competition on education, and the growing dominance of private over public provision. The sheer number of studies concerned with school choice that are dedicated to whether or not private schools generally outperform public (see Coleman, Hoffer & Kilgore, 1982; Chubb & Moe, 1990; Hannaway, 1991; Coulson, 1999; Alt & Peter, 2002) is in itself telling of the dominant conception of vouchers as a means for the market to take over provision of education from the state. A cursory explanation of some key theoretical contributions on vouchers in the last thirty years

demonstrates the pre-eminence of understandings of vouchers in terms of the retreat of the state. This section will elaborate this frame, with a view to highlighting its limitations.

The pro-privatisation models of education vouchers begin, like much neoliberal discourse, with critiques of existing systems of public provision. Like Friedman, advocates of vouchers accept the necessity for state funding of education on grounds of positive externalities and market imperfections, but depict state and market logics as at odds with one another in the areas of administration and provision. Moreover, the private market is portrayed as fundamentally superior. Chubb & Moe (1990) view school choice through vouchers as a means of dismantling the cumbersome bureaucracy of state education. While they do not explicitly refer to their voucher proposal as a form of 'privatisation', the authors retain the fundamentals of Friedman's implied logic of the retreat of the state. They argue that private schools are always more efficient than public, due to freedom from regulative controls and bureaucratic oversight, and that publically-administered schools would diminish under a voucher scheme, as private providers would compete on price for the provision of quality education. E. G. West (1991) makes a similar argument about the welfare costs of public education derived from the administration of taxation, and the power of unions. West supports vouchers as a relatively more efficient method of education provision, as a step toward the realisation of a 'pure', unregulated education market. Coulson (1999) uses centuries of international historical precedence to argue that private markets in education have long out-performed public provision in measures of equity and freedom, and presents vouchers as marketising reform to repair the last 150 years of 'disappointment' in the outcomes of state education. Hoxby (2003: 20-1) insists that vouchers produce the best results in societies which are most market-oriented, and expect least of their governments in terms of welfare provisioning. Embedded in these visions of vouchers as a means by which to re-structure and re-orient the education system toward the private market is the assumption, or expectation, that under a system of vouchers private providers will have room to innovate, demanding relatively little regulation of the supply of education. Furthermore, suppliers are expected to compete on price, implying the permissibility of fee deregulation, which imposes costs beyond the value of the voucher, so that – to some extent – the informative role of the price mechanism (upon which neoclassical theory depends) is upheld. These components, implying a gradual retreat of state schooling, take their lead from Friedman's voucher proposal, and have come to dominate academic understandings of education vouchers.

Even sceptics and opponents of vouchers have predominantly conceived of voucher schemes as entailing the retreat of the state. This perspective has tended to limit their critiques to warnings of the ill-effects of competition and the profit-motive on the social goals and equity concerns of education provision. Apple (1996; 2006) challenges market-driven policies of 'conservative modernisation' in the American education system, including vouchers, for their misdirection of funding and conference of undue risk and instability on individual parents and students. Vouchers are depicted as promoting the expansion of 'unchecked' free-market logic into everyday life, reproducing hierarchies of class and race. The implication therein is that while a

privatised market in education may be more *responsive* to individual choices and tastes, it also places problematic *responsibility* on individuals to make and pursue ‘good’ choices. This dynamic is said to be rationalised through the ‘apolitical’ nature of the market, and associated ideologies of self-help, which detract from the real implications of a reduction in government responsibility for social needs (Whitty, 1997: 58). Fuller & Elmore (1996) and Ball (2003: Ch. 3) reiterate the likelihood of classed and racial segregation under vouchers, arguing that unfettered market competition restricts choice to certain individuals and groups, and affects the character of the choices available to different kinds of people. Theoretical critiques of education vouchers often pursue a defence of democratically-administered state education, in opposition to more problematic market provision through privatisation in the form of vouchers (Powers & Cookson, 1999; Cookson, 2004; Molnar, 2001). The effect is a polarised conception of the role of states and markets in the voucher literature.

While the above authors are justified in highlighting the problematic impacts of vouchers on individual lives, social integration, and equality,¹ the retreat of the state is too narrow a frame through which to view them. Understandings of vouchers as the retreat of the state are predicated on a theoretical separation of public and private provision which hampers practical appraisals of policy. This ‘false dichotomy’ between the (public) state and (private) market is problematic, because states and markets, in reality, form integrated parts of a social reality, co-constituted by political and economic activities (Watson, 2005). It is widely recognised among institutional economists and economic historians that the market as a social system is underpinned by an ongoing process of production and reproduction by the state and other institutions, such as the legal system, as well as communal structures and norms (Polanyi, 2001 [1944]: 140; Giddens, 1998: 15; Hodgson, 1998: 182; Block, 2000: 89-90; Wood, 2003, Ch.1; Watson, 2005:19-21). Advancing the interconnectedness of the state and market does not imply that states and markets should not be treated differently, at least for analytical purposes. Indeed, distinct logics can be identified in the operation of states which differentiate them from markets. The problem is not recognising the difference between the state and market, but rather the reification of this difference such that states and markets are conceived of as antithetical, demanding political (and theoretical) support exclusive of, or in priority over, the other. Instead, recognition of the real-world interaction between states and markets is essential for constructing critical appraisals of policy.

Nicholas Barr (2004: 87-90) has identified the latent heterogeneity of neoliberal policies generally grouped under the umbrella of ‘privatisation’, as a result of the practical interaction between the state and the market. Barr argues that individual policies should be understood by differences in public or private imperative at the level of production, consumption and finance. Barr’s schema reveals the interaction between state and market, even in policies justified on neoliberal terms. Crucially, Barr suggests that different arrangements of state and market imperatives produce different policy outcomes. Despite the value of Barr’s schema, his

¹ Chapters 2 and 3 explore problems such as these that emerge from particular kinds of voucher schemes in theory and practice.

classification of vouchers as dependent on private decisions about production and consumption, but public finance, oversimplifies voucher policies, consistent with the dominant understandings of voucher schemes as the retreat of the state. Voucher schemes are assumed to operate within the context of deregulation of production, where the state has no role in the provision of welfare goods beyond the dispensing of funds.

The problem with understanding vouchers as the retreat of the state, where governments provide only finance, is that real-world manifestations of voucher schemes do not actually result in an idealised retreat of the state from production and consumption decisions, but rather a transformation of the state's role. Instead of directly controlling the production and consumption of services, states provide extensive institutional and regulative support for deliberately-created private markets. The prevalence of this dynamic will be extensively demonstrated in a number of voucher schemes across The United States, the Netherlands, and Sweden in chapter 3.

'Actually existing neoliberalism', and vouchers as publicly-directed consumption

More constructive appraisals of education vouchers have emphasised the heterogeneity of voucher schemes, and the state's ongoing role in directing the goals and determining the conditions of individuals' 'consumption' of education. Authors in this vein are sometimes referred to as the 'pragmatists' of school choice debates, assessing vouchers alongside other means of provision in order to determine the best method for satisfying a set of socially-determined educational goals (Valkama, Bailey & Elliot, 2010). This paper extends these perspectives using the frame of 'actually existing neoliberalism', a concept which captures the utopian nature of neoliberal policies of privatisation and deregulation, supposed to 'liberate' free markets from state intervention, but actually characterised by intensified state activity in the imposition and extension of 'free market' logics (Brenner & Theodore, 2002). Vouchers are constructed as a neoliberal policy tool through the ideological and institutional embeddedness of neoliberal ways of thinking. Identifying this process gives us a clearer understanding of the problems that arise from the practical application of voucher schemes, and the reasons why Friedmanite vouchers do not deliver on their normative promises. Contextualising vouchers as publicly-directed, but, under neoliberalism, privately-oriented, also enhances our perspective on the possibilities for voucher policy, both within and beyond neoliberalising processes.

Contrary to the dominant perception of vouchers in terms of the retreat of the state, theorists who view vouchers as a form of publicly-directed consumption argue that the goals and logistics of education voucher policies are deliberately directed by the state, according to socially-constructed value sets. Vouchers are best understood as a form of publicly-directed consumption, because unlike government transfers of income or cash, vouchers are not designed to redirect wealth for privately-determined consumption, but rather to stimulate or mandate the consumption of a *particular* good; in this case, education (Valkama, Bailey & Elliot, 2010: 235-6). Vouchers in education have been used to navigate what Levin (2002: 162) has referred to as the 'public-private dilemma', arising from the tension between individuals' private educational preferences and specific knowledge of the children in question, and the public role of education

for citizenship, achieved through integration and common experience (see also Daniels & Trebilcock, 2005: 145-8). Pragmatic assessments of voucher schemes argue that the balance of value placed on the public and private goals of education, in any given society, significantly influences the nature of school choice policies implemented by government, explaining the pursuit of rather different kinds of voucher schemes in different places. Levin (2001; 2002; Levin & Belfield, 2004; 2005: Ch. 1) has proposed that the design features of voucher schemes vary according to the relative value placed on freedom of choice, productive efficiency, equity, and social cohesion as policy goals. Levin argues that, through various arrangements of voucher finance, school and pupil regulation, and the dissemination of information and support services, governments are able to significantly direct both the production and consumption of education under voucher schemes. For example, if equity is valued in terms of a progressive redistribution of income and economic power, then in order to prevent the 'cash-equivalent' allocation of funding to simply subsidise wealthier families who previously afforded choice through private finance, governments can and do pursue systems of finance where vouchers target the poor specifically, and implement multiple levels of school governance and compulsory parental participation, to promote accountability and a more equitable distribution of voice in shaping education. As will be demonstrated in chapter 3, these kinds of regulative mechanisms can be observed even in the United States, arguably the most neoliberalised nation in the world.

In neoliberal theory, and in the Friedmanite vision of education vouchers, such forms of government regulation are considered interventions into the natural workings of the free market. However, as was argued above, in reality markets do not emerge naturally, but rather are constructed by states and other institutions. Contrary to the utopian claims of neoliberal theory, policies of privatisation and deregulation, including the mainstream depiction of vouchers, are never designed to make markets *literally* free from intervention. The state's historic role in creating the conditions for market operation continues under neoliberalism, with policies of so-called privatisation and deregulation almost universally combined with farther-reaching and higher levels of regulation which underpin them (Vogel, 1996; Stiglitz, 2000:11-12). Anderson (1999) argues that deregulation actually exists in the form of 're-regulation', both of markets, to protect private profitability, and of society, to alter the framework of individual rights and marginalise values which conflict with profitability. Levi-Faur (2005:15) describes the neoliberal age of 'regulatory capitalism' as a characterised by 'a new division of labour between state and society and in particular between state and business', where 'the state retains responsibility for steering, while business increasingly takes over the functions of service provision and technological innovation'. Levi-Faur's study of 171 countries documents a clear connection between the implementation of policies of privatisation, and the rise of regulatory institutions and structures to monitor and direct market operations. In the neoliberal era, vouchers have been predominantly viewed as a means of 'privatising' education provision through the retreat of the state, but the way that policies have been implemented in practice reflects the transition of the state's role, to new forms of publicly-directed but market-oriented regulation. Crucially, these forms of 'pro-market re-regulation' can sometimes represent a more

active direction of market operations by government, than traditional forms of intervention (Cerney, 2000).

Neoliberal theory obscures the state's active role in imposing the market-oriented logic of actually existing neoliberalism. While markets are never literally free, Chang (2002) argues that markets are interpreted as free (or unfree) based on the formal and informal institutional framework, and in particular the rights-obligations structure, of the society in which particular markets operate. For example, in neoliberal capitalist societies, immigration control is not generally considered to be an intervention in the labour market, but the regulation of minimum wages and working conditions often is. This is because, Chang (2002: 543-4) argues, the citizen's right to control non-citizens' access to work is privileged, but the worker's right to contest their own conditions of work is not. To give an example in the context of an education voucher scheme; most theorists accept that the public dissemination of information about schools is a necessary precondition for free and fair choice to operate, but simultaneously view the centralised state assessment and evaluation of schools as an inefficiency, and a hindrance to private innovation (James, 1984; Chubb & Moe, 1990, E.G. West, 1991; Levin & Driver, 1997; Justesen, 2002). This indicates that while the right of individuals to make an informed choice is valued, the right of private providers to self-evaluate and operate without direct public oversight is privileged over and above it. Values sets such as these reflect the embeddedness of neoliberal ideology in social institutions, but, paradoxically, the legitimacy of neoliberal policy depends upon the ability of embedded neoliberal normative frameworks to *obscure* the interactions between the state, market, and society.

Actually existing neoliberalism depends on social and political institutions not only for normative legitimacy, but for the practical operation of theoretically 'free' markets. Polanyi (2001 [1944]: 3, 76) theorised that the creation of an economy completely 'disembedded' from its social foundations was an impossible, utopian project, and that the tendency for markets to be 're-embedded' through social protections was necessary for the prevention of systemic self-destruction (See also Block, 2001). While some scholars have viewed Polanyi's schema as drawing a theoretical separation between the economy and society, Block (2003) has argued that critics have missed Polanyi's meaning, in ignorance of his personal development as a theorist. Block (2003: 300) suggests that the idea underlying Polanyi's explanation is that of an 'always embedded economy' that can not be analysed without considering the state's role in shaping 'actually existing economies'. Cahill (2012) extends the frame of embeddedness to suggest that neoliberalism is 'always embedded in social structures, whether or not these [are] socially protective'. This view allows us to see that the states's role in shaping actually existing neoliberal policies is essential for emulating the conditions of ideal markets, by privileging the market logics of competition and profitability in policy design. Markets depend on this process in order to operate. For example, vouchers work best when they are provided for the consumption of a product which is frequently purchased, so that consumers can learn from experience and send messages by rejecting particular producers. As education is a product purchased relatively infrequently (once or twice a year, for most users), then market information

must be disseminated by other means, either through marketing by producers (usually overseen by a regulatory body), or centrally by a government agency (Valkama, Bailey & Elliot, 2010: 243-4; Daniels & Trebilcock, 2005: 152). However, while the availability of market information is essential for free exchange, the dissemination of information may be considered an inefficient use of resources in markets, and often advantages certain groups over others. Additional costs from marketing by producers, the administration of regulators, and the process of centralised communication, all reduce the productive efficiency of the system overall (Levin 2002: 160; Levin & Belfield, 2005: 140; Levin & Driver, 2007). This dynamic is representative of the internal contradictions of neoliberal theory. As well as obscuring the ongoing role of the state in applying neoliberalising processes,

“whereas neoliberal ideology implies that self-regulating markets will generate an optimal allocation of investments and resources, neoliberal political practice has generated pervasive market failures, new forms of social polarization, and a dramatic intensification of uneven development at all spatial scales.” (Brenner & Theodore, 2002: 352)

Conclusion

Understanding vouchers as the retreat of the state, and assessing them on the basis of whether public or private production is the best means of education provision, vastly over-simplifies the operation of voucher schemes in practice, and draws an unrealistic separation between the state and the market. Friedman’s (1955: 144) contention that education vouchers would see a ‘sizeable reduction in the direct activities of government’ masks an important aspect of policy, in the state’s *indirect* activities in the provision of education, through regulation, oversight, and the direction of consumption. The frame of ‘actually existing neoliberalism’ emphasises the state’s ongoing role in implementing and extending neoliberal logics, and allows us to understand how vouchers have been constructed as a neoliberal policy tool, enacted by the state, but privileging private imperatives over social goals. In order to consider the prospects for social democratic reform in highly neoliberalised nations, it is essential that we move beyond the utopian premises that derive from a philosophical separation of the state and the market. The next chapter will undertake a detailed critique of the theoretical foundations of Friedmanite vouchers, and demonstrate the internal contradictions of neoliberal ideology as expressed in the dominant conception of education vouchers. This allows the remainder of the paper to consider the practical operation of education voucher schemes in light of the alternative policy framework of substantive equality goals.

2. Vouchers in theory

The dominant conception of education vouchers in terms of the retreat of the state has been significantly influenced by Friedman's voucher scheme proposal. The previous chapter explored how this representation ignores the ongoing role for government in the regulation of education provision under vouchers, demonstrating that vouchers as a policy tool of 'actually existing neoliberalism' differ from their theoretical imaginings. This chapter will probe the philosophical underpinnings of Friedman's depiction of vouchers in order to expose the contradictions within his neoliberal approach, and the reasons why Friedmanite voucher schemes may have failed to meet their normative promises. In particular, the framework of negative liberty and a limited conception of 'equality of opportunity' make Friedmanite voucher schemes not only contradictory, but also impractical, as they overlook the interaction between state, market, and social processes, and real-world challenges to equality.

Neoclassical Welfarism

Neoliberal ideas about the role of the state which inform mainstream understandings of education vouchers derive primarily from neoclassical welfare economics, and the fundamental axioms of neoclassical theory that were established in the early marginalist works of W.S. Jevons, Leon Walras and Alfred Marshall. Arnsperger and Varafarkis (2006) describe this pervasive school as built upon the three tenets of methodological individualism, methodological instrumentalism, and methodological equilibration. Methodological individualism denotes that the individual is taken as the basic unit of analysis, from which all other analysis proceeds, implying a core belief in the primacy of the individual as an actor. Methodological instrumentalism assumes that all human behaviour results from the pursuit or fulfilment of individual preferences, and methodological equilibration describes the analysts' presupposition of a state of aggregate equilibrium, to which outcomes are related either as congruent or deviant. These methodological principles lead neoclassical theory to depict the market as the most desirable means of welfare provision, and individuals as the only actors capable of making optimal choices in pursuit of their preferences (Stiglitz, 2000:59). An understanding of individuals' behaviour as instrumental in nature leads to a conception of choices in terms of their contribution to Pareto optimality, describing a process of equilibration. The idea of Pareto optimality, or Pareto efficiency, is based on a utilitarian model of resource use which states that a system of production or allocation is efficient when society can no longer produce any more of one good without having less of another. Similarly, one individual can not be made better off without others becoming worse off, assuming resources are scarce (Barr, 2004: 98). Neoclassical economists argue that the privatisation of welfare provision makes Pareto improvements by allowing the forces of the market to mediate the many competing preferences of the 'consumers' of welfare goods (Stiglitz, 2000:57-60). When Neoclassical economists refer to 'efficient' outcomes, they conceive of efficiency in terms of Pareto optimality. Virtually all mainstream scholars recognise a limited role for the state in the provision of public goods; goods from which no one can be excluded, and for which the marginal cost of additional use is minimal or nil (Stiglitz, 2000: 80). The state's role may also extend to poverty relief, which is usually depicted as best achieved by initial income transfers. These components of welfare are

considered as externalities to the market economy, and are theoretically separated from the process of equilibration. Beyond the provision of externalities, neoclassical theory posits that state intervention can never be justified in terms of improvements to efficiency (Barr, 2004:91).

In the context of neoclassical welfare theory, Friedman's support of education vouchers is somewhat anomalous. Friedman's (1955) primary argument takes the neoclassical position that by expanding consumer choice and demand-side influence on the market, quality of education for all can be enhanced by efficiency improvements which will not occur if education is provided directly by government. This aim could, however, according to neoclassical theory, be achieved by privatisation of provision and finance, rather than a publicly-funded voucher scheme. In his discussion of social welfare measures more generally, Friedman (1982 [1962]: chs.11-12) advocates a negative income tax and cash transfers to alleviate poverty, rather than public provision or regulation, consistent with neoclassical recommendations. In contrast, Friedman (1955: 124-5) justifies government intervention in primary and secondary schooling on account of what he labels the 'neighbourhood effects' of education, in reference to the positive externalities derived from widespread general education. Government provision of welfare goods is usually only justified in neoclassical theory if the good or service is considered to be a public good. Although education can not be considered a public good in the neoclassical sense, as greater access certainly comes at greater cost, Friedman depicts education as a quasi-public good, in which consumption should be facilitated but production marketised to improve efficiency of delivery. Vouchers are proposed as a way for governments to finance and ensure access to education, without directly providing it. The additional externalities and potential inefficiencies generated by government finance are considered to be less significant than the negative externalities caused by the under-consumption of education.

Friedman's justification of vouchers in neoclassical terms makes way for the theoretical construction of vouchers as a neoliberal policy instrument, where vouchers are viewed a useful tool for the retreat of the state in cases where full privatisation is not possible due to market externalities. The assumptions of neoclassical welfarism which most impact this depiction of education vouchers are the so-called 'equality-efficiency trade-off', and the assertion that all individuals possess subjective sets of preferences, exogenous from society. Education vouchers have consequently been imagined as efficiency-driven, and empowering of individual decision-making through decentralisation and marketisation.

The equality-efficiency trade-off

The trade-off between equality and efficiency has dominated neoclassical explanations of welfare since the mid-nineteen-seventies. While the trade-off had not been popularised at the time that Friedman's voucher proposal was first published, the fundamental elements of the trade-off, deriving from neoclassical visions of Pareto optimality, can be noted in his work from the fifties onwards. Given that neoclassical theory sees no efficiency grounds for state intervention, Okun (1975) formally proposes the equality-efficiency trade-off in an effort to explain the consequences of government action in the interests of equality, describing

government welfare transfers as a way of diversifying social risk by varying the mechanisms of distribution. The goals of equality and efficiency are seen to operate in a framework of scarcity, so that more efficient policies are seen to be necessarily less equitable, and more equitable policies less efficient. The logic of equilibration, that is, an assumption of full capacity equilibrium, applies to the trade-off itself. Okun (1975: 112) sets himself apart from economists who prioritise efficiency, a group of which he views Friedman as representative, by advancing the merits of in-kind transfers for 'expanding the domain of rights and keeping the market in its place', ergo addressing equality concerns at some expense to efficiency. He does, however, envision a limit to the equality goals that governments should pursue, where the impact on efficiency disproportionately outweighs equality gains. A similar logic is evident in Friedman's (1955) discussion of the trade-off between the positive externalities of education and the negative externalities of government provision. The result in Friedman's treatise is that minimal government intervention can be tolerated only in the pursuit of superior positive externalities which contribute to broader economic growth. Okun's theorem has been interpreted similarly by other neoclassical economists, who extrapolate from the trade-off that the direct pursuit of equality goals, at the expense of government intervention, necessarily hampers growth (Arrow, 1979; Browning & Johnson, 1984; Lindbeck, 1986). As will be elaborated later, Friedman's limited conception of 'equality of opportunity' actually supports efficiency-driven voucher policies consistent with this interpretation of the equality-efficiency trade-off, but inconsistent with the real world complexities of design and implementation. Subsequent analyses of vouchers have focussed unduly on the perceived trade-off, struggling to reconcile the efficiency and equality goals of different voucher schemes (see Daniels & Trebilcock, 2005; Bjorklund et al, 2005).

Rejecting the equality-efficiency trade-off as a fundamental tool of welfare economics is essential if we are to consider the goals of policy more substantively. This is not to deny that trade-offs exist in the design process of voucher schemes, sometimes between more equitable and more efficient strategies. Moreover, efficiency in terms of dollars outlaid is certainly a relevant concern for policy-makers. However, the analytical trade-off which implies that more efficient policies are *always* less equitable is restrictive and unsubstantiated. In response to the growing reluctance of governments to redistribute income in the 1970s, Thurow (1981) demonstrated empirically that there was no correlation between the degree of equality and growth performance in twelve OECD nations, rejecting the trade-off at a practical level on the basis that real world economies never operate at one hundred per cent capacity. Kenworthy (1995: 228) elaborates that while there is much clout to the argument that one hundred per cent equality of income would utterly eliminate efficiency incentives, one hundred per cent equality does not exist, and is not realistically pursued by governments. He argues that greater, if not one hundred per cent, equality actually boosts investment as a result of the interconnection between expectations and overall consumer demand. Kenworthy's analysis demonstrates that between 1974 and 1990, increasing inequality in OECD nations corresponded with *lower* levels of investment, and no relationship could be expressed between the level of equality and work participation. Other measures of economic success, including productivity growth and trade

performance, actually improved with higher levels of equality (Kenworthy, 1995: 237-43). Wilkinson and Pickett (2010) have shown that greater inequality leads to higher levels of health and social problems, which arguably represent inefficiencies in the pursuit the greatest possible welfare for all. This evidence not only offers a potential justification for the pursuit of equality goals, but also undermines the utility of the equality-efficiency trade-off as an analytical tool. Moreover, the equality-efficiency trade-off distracts from other, more pertinent trade-offs in voucher scheme design which will be elaborated in chapters 3 and 4.

Individual preferences

A further inadequacy of neoliberal welfare theory which impacts theoretical understandings of vouchers is the assumption that individuals possess subjective, exogenous sets of preferences or tastes, of which only they can possess knowledge, and act optimally upon. This assumption has driven justifications of vouchers in terms of public choice theory, in which the government is described as incapable of knowing or executing the will of individual citizens (see Schwartz, 1994). The individual in neoclassical theory is separated from his or her social existence, and analysed as a rational, calculating, self-interested unit. Individuals' interests are defined as the pursuit or maximisation of their tastes or preferences, and it is the satisfaction of interests by which utility, or welfare, is measured (Samuelson, 1983). This approach deliberately separates economic activity from its social context, and denies the real-world interaction between markets, states, and societies that was articulated in the previous chapter.

The most potent criticisms of the assumption of exogenous preferences have come from scholars of social choice theory, who make a slight but important distinction between individual tastes, which are given, privately-oriented desires, and preferences, which are the set of tastes expressed in public decisions. Individuals are considered to have 'preferences for preferences'; that is, they decide which tastes are relevant for them to express in their preference rankings, toward their opinion of social values, or the 'general will', rather than their personal interests (Arrow, 1963: 85; Goodin, 1986: 83; Sen, 2010: chs.14-15). Social choices are thus expressions of social values, made up of 'laundered', value-laden preferences, not individual interests. In neoclassical theory, education is primarily viewed as a private decision, contributing to an individual's human capital, and financed by private income or by borrowing on future earnings. However, when education is funded by government through taxation, it becomes a public decision, in the interests of all individuals. Insights from social choice theory suggest that, under this circumstance, individual preferences can not be considered as exogenous, but rather are affected by processes of social interaction, and social decision-making as represented by governance. Thus, Friedman's justification of state funding for education through vouchers, on neoclassical terms, contradicts with the assumption of exogenous preferences. This contradiction is obscured through the theoretical separation of economic activity and decision-making from its social and institutional context in neoclassical theory, so that the impact of social interests upon individual preferences, and vice versa, is discounted.

The institutionalist perspective makes similar challenges to the assumption of exogenous preferences by evoking what Hodgson (2000) has referred to as ‘reconstitutive downward causation’; the impact of social institutions in shaping individual tastes and preferences. This process is ‘reconstitutive’ in the sense that, ‘there is both upward and downward causation; individuals create and change institutions, just as institutions mould and constrain individuals’ (Hodgson, 2000: 326). Individual preferences are not pre-determined, neither by given tastes and self-interest, nor the top-down influence of social context. Hodgson argues that, in contrast to the ahistorical maxims of neoclassical welfare economics, the institutionalist view is more historically and culturally sensitive to the real-world processes of individual and social evolution, and in particular to the idea of individual learning. Like social choice theorists, historical institutionalist scholars recognise an interaction between the social and the individual levels of agency and interest. Viewed as a form of publicly-directed consumption, vouchers are seen as a tool for navigating the interaction between public and private, or social and individual interests, in recognition of the social and institutional embeddedness of economic activity. This theoretical recognition of embeddedness is essential for understanding policy-making and its impact on individuals’ lives, in practice.

Libertarianism

Friedman’s vision of vouchers combines the neoclassical axioms of methodological individualism, instrumentalism, and equilibration, with an ideological commitment to libertarianism, which suggests that only economies predicated on free exchange satisfy the conditions for individual freedom (Friedman, 1982[1962]: 9-15). Libertarianism is based on an understanding of freedom in terms of what Isaiah Berlin (1958) refers to as ‘negative liberty’; an opposition toward barriers to action, privileging the maximum number of choice options available to an individual. Political and economic freedom is therefore conceived of as freedom from interference and coercion, by other individuals or the state.

Friedman’s support for vouchers is doubly anomalous in the context of libertarianism, because vouchers funded by taxation are usually redistributive, and their nature as tied subsidies seems to violate Friedman’s preference for cash transfers over in-kind provision on grounds of paternalism (Friedman, 1982[1962]: 178). Libertarianism is traditionally at odds with paternalism, as it violates the principle of voluntary association, but Friedman justifies his support for vouchers by assigning privilege to the idea of ‘freedom of choice’, based on a conception of freedom in terms of negative liberty. The pursuit of negative liberty demands that the number of possible choices available to an individual is maximised, or arbitrary obstacles removed (Berlin, 1958). The idea of ‘free choice’, for Friedman, simply means liberation from the imposed or centralised decision-making of others. While vouchers may mandate the consumption of education, they do allow individuals greater choice among education providers. This element of choice is taken as normative justification for voucher schemes, despite the necessarily paternalistic nature of vouchers, as a policy which channel a portion of individual income into a *particular* expenditure. This leap of faith is enabled by Friedman’s justification of the state’s direction of funding, on grounds of the positive externalities of education. Friedman

frames this argument in terms of the enhanced negative liberty of the many other individuals in society who are less constrained by the deviant behaviour of the under-educated (Friedman, 1982: 86). That is, even in recognising the wider social implications of economic activity, Friedman reduces his analysis to the individual level, fragmenting and disguising the interaction between the market, state, and society.

The libertarian frame of negative liberty calls for the abstraction of the individual from his or her social surrounds, by placing value on the absence of barriers – social, institutional, or otherwise – to individual action, apart from the negative freedom of other individuals. This kind of abstraction, however, is both inaccurate and ineffectual. The frame of negative liberty does not allow us to understand markets, society, or the state, as it denies the fact that all economic activity, in reality, depends upon institutional coercion and barriers to action. Chang (2002: 548) argues that all markets are socially constructed, based on the formal and informal rights-obligations structures of particular societies. That is, markets are dependent upon the kind of rights, such as the right to own property, and obligations, such as the obligation to pay one's workers, that individuals and groups in societies possess. Friedman (1982[1962]: 25-7) concedes a role for the state in establishing, enforcing, and 'umpiring' such rules, but views the ideal rule-making role of the state as minimal, and predicated upon the creation of a formal, legal framework for free exchange. Chang (2002: 550) posits, however, that the ongoing creation and extension of markets significantly reconfigures the structures that underpin and define markets, by privileging different sets of rights and obligations. This dynamic is useful for understanding the way in which states direct consumption activities under voucher schemes. Vouchers can be said to convey particular rights and obligations to the holder, including the right to the service in question (the right to education), and some property rights over the voucher itself which denote the power to complain about or reject, through exit, a particular service provider (Valkama, Bailey and Elliot, 2010: 228; 246). While the former right is privileged under a system of direct public provision, the latter is not, and the additional right carries with it the obligation or responsibility to use, and not to misuse, the voucher. Moreover, vouchers bestow on producers the right to exchange vouchers for money from the issuer (the state), and the parallel obligation to accept funds in compliance with any regulations or requirements, stipulated by the state (Valkama, Bailey and Elliot, 2010: 247-8). These rights and obligations are dependent upon the formal and informal institutional structures of society, and are both constraining and constructive of individual behaviours and values (Chang, 2002: 556). The constructive impact of institutions means that individual values and individual freedoms are always connected with social freedoms.

An alternate understanding of freedom, in terms of positive liberty, emphasises social and individual freedoms and values as both co-existent and co-constitutive, and considers individual preferences as endogenous rather than exogenous and instrumental (Berlin, 1958; Sen, 2010: ch.14). The frame of positive liberty places value not upon freedom from barriers to action, but on the protection of basic human needs and capabilities (Sen, 2010: 309; Plant, 2003: 5). From this perspective, vouchers can be viewed as a means of directing consumption toward goods,

such as education, considered essential to the realisation of individual capabilities, rather than as efficiency-driven mechanisms designed to increase consumer sovereignty. The notion of positive liberty also allows us to explore the limitations to free individual choice, by recognising the structural inequities in the distribution of effective opportunities. In the frame of positive liberty, choice takes on a more complex role as a component of capability realisation, rather than simply a means to the end of instrumentalising one's given preferences. Sen's (2010: 235) capabilities approach to understanding freedom focuses upon 'not just what a person actually ends up doing, but also on what she is in fact able to do, whether or not she chooses to make use of that opportunity'. Positive rather than negative liberty provides a superior normative foundation for the pursuit of more substantive freedom, and helps explain the practical challenges of voucher scheme implementation. Chapter 4 will draw from this frame of positive, rather than negative, liberty in its presentation of a model for social democratic reformist education voucher schemes to be applied in unequal, highly neoliberalised nations. The recognition in this frame of the socially-embedded nature of individual choices and freedoms offers a better perspective for analysis of the conditions of freedom, and the connection between freedom and equality.

Equality of what (and what of equality)?

In addition to his efficiency and liberty-based arguments for education vouchers, Friedman (1955: 129-30) also justifies the use of vouchers to enhance equality of opportunity, by suggesting that vouchers allow the less-well-off access to the choice of education provider that would otherwise be restricted to those who can afford to pay. Friedman's conception of equality of opportunity is a limited, formal understanding, amounting effectively to 'equality of treatment'. The extreme individualism of neoclassical and libertarian theory in combination depicts substantive equality as an imposition on freedom, and inequality as the sole responsibility of poorer individuals. As a secondary justification for vouchers, Friedmanite 'equality of opportunity' advocates negligible gains to equality, and supports efficiency-driven policy. It does not seek to address the generational reproduction of disadvantage, nor the perpetuation of existing inequalities in the distribution of economic resources, which limit the opportunities of some to access expensive, high quality schooling under marketised voucher schemes. This limited conception of equality of opportunity has been disseminated through neoliberal rhetoric in the last thirty years, and many voucher schemes – especially in the United States – have been designed in subscription to these principles. However, the more substantive understandings of equality of opportunity which have informed education voucher schemes across the globe differ greatly from the limited vision of equality which underpins Friedman's vouchers. Chapter 3 will explore these differences in practice, but it is important here to highlight the theoretical distinctions between different approaches to equality of opportunity, and their impact on the understandings and operation of voucher schemes.

Equality of opportunity is a contested concept, but generally implies that all individuals should have an equal the chance to pursue their ambitions, free from discrimination. The Friedmanite, neoliberal position on equality of opportunity is limited, and does not seek to compensate for

systemic inequities such as socio-economic disadvantage. Friedman's vouchers, characterised by fee deregulation and unlimited 'topping-up' of vouchers by wealthy families, are actually likely to grossly exacerbate socio-economic inequalities. Friedman's proposal is designed to 'encourage a gradual move toward greater direct parental financing', with less tax money used to fund education, but potentially more money spent on schooling overall, from individuals' private resources (Friedman & Friedman, 1980: 162). Friedman is uninterested in the redistributive potential of vouchers funded by taxation, as, in line with the equality-efficiency trade-off, he believes that income differentials are essential to work incentives, efficiency improvements and economic growth (Friedman, 1982[1962]: ch.10).

The limited understanding of equality of opportunity which informs this perspective is derived from a negative conception of liberty, wherein equality of opportunity is viewed as freedom from arbitrary obstacles to the pursuit of one's ambitions (Friedman & Friedman, 1980: 132). These 'arbitrary' obstacles are formal, political obstacles. While Friedman (1982[1962]: ch.1) sees a connection between political and economic freedom, his conception of equality promotes formal, political freedoms and equal treatment under the law, but accepts and even promotes economic inequality. Friedman (1982[1962]: 195) defends, 'a belief in the equality of men in one sense; in their inequality in another'; in 'equality of rights' on the one hand, but not in 'material' economic equality. Libertarians argue that while short-term inequality is essential for work incentives and economic growth, formal freedoms breed long-term equality because positions of privilege are continuously contested by the social mobility of others (Friedman & Friedman, 1980: 148-9). This philosophy leads to policies based on equality of treatment, as formal freedom is viewed as the ultimate goal of policy. This is why Friedman's voucher plan is characterised by universal vouchers of equal value for all students, regardless of socio-economic background, and relatively little regulation of production or consumption.

Friedman's understanding of equality, and its relationship with freedom, is fundamentally flawed. Friedmanite vouchers are both contradictory and impractical, as they fail to recognise that economic inequality is short-term *and* long-term, as well as generationally reproduced. Universal vouchers of equal value are 'cash-equivalent' for families who previously afforded school choice through private resources, and perpetuate economic inequality by advantaging these families. More educated parents are also better-equipped to make decisions about educational quality, and are more likely to make an 'active' school choice under a voucher scheme (James, 1984; Carnoy, 1998). The inter-generational reproduction of socio-economic inequality more generally has been widely identified in capitalist societies characterised by the existence of formal freedoms (see Wright, 2000; Lareau, 2002; Stilwell & Jordan, 2007). The problem is that formal freedoms, facilitating equality of treatment, 'do not translate into *effective* freedoms' (Cahill, 2012: 118, emphasis added). Persistent economic inequality leads to an inequitable distribution of power and voice in society, which restricts social mobility and individuals' ability to pursue their ambitions. Moreover, the psychological internalisation of economic disadvantage leads to a down-shifting of individuals' expectations for themselves, impacting their preferences and choices, especially with regard to education (Weinger, 1998;

Goldenburg et al, 2001; Elliott, 2008: ch.2). The formal economic freedoms championed by libertarianism are amplified in neoliberal discourse, and have the affect of disguising the effective un-freedom and systemic inequality that persists in contemporary capitalist democracies. Friedman's voucher proposal is impractical in its claims to provide equality of opportunity, as the real-world dynamics of inequality under capitalism are deliberately ignored.

Conclusion

Friedman's understanding of both liberty and equality are fundamentally flawed. The formal freedoms which are characteristic of Friedman's limited conception of equality of opportunity lend themselves to efficiency-driven voucher schemes designed to gradually privatise the production and consumption of education, based on an ideological belief in the moral and economic superiority of the market. The previous chapter suggested that the voucher policies of actually existing neoliberalism differ substantially from the propositions of neoliberal theory, entailing a greater role for the state in the direction of consumption. This chapter has highlighted the contradictions and practical limitations of Friedmanite voucher schemes, and the next chapter will show that, despite the theoretical promise of freedom and equality, vouchers predicated on the Friedmanite philosophy of limited equality of opportunity have not and can not delivered on these normative aims. Moreover, the comparative study of education vouchers in America, Sweden and the Netherlands will highlight the common, ongoing role for the state in a number of quite different schemes. This makes way for the proposal for social democratic reformist vouchers in chapter 4, inspired by an alternative perspective which prioritises positive liberty and substantive equality, recasting education vouchers by inverting the normative framework that underpins the Friedmanite model.

3. Vouchers in practice

Comparing the Unites States of America, Sweden and the Netherlands

This chapter, engaged with the practical evidence on education vouchers, sets out to do three things. Firstly, it will demonstrate that despite the dominant understanding of vouchers in terms of the retreat of the state, in practice voucher schemes fit much better within the frame of ‘publicly-directed consumption’, introduced in chapter 1, and are characterised by deliberate state involvement in the regulation and supervision of publicly-funded private markets in education. Secondly, it will suggest that voucher schemes reflecting the Friedmanite philosophy of limited equality of opportunity, critiqued in the previous chapter, fail to provide more equal access to education and may actually exacerbate existing socio-economic inequalities. Finally, it will argue that the character of the state’s regulation of education vouchers shapes the outcomes of particular policies, and that it is possible to design education voucher schemes that foster substantive equality; elevating individual capabilities over efficiency and limited, formal freedoms. These three goals will be addressed in an analysis and comparison of the evidence on education voucher schemes in the Unites States of America, Sweden and the Netherlands, chosen for their different approaches to voucher policy, and divergent histories as welfare states. The countries can be described as conservative, liberal, and social democratic welfare states respectively, reflective of different social, political, and institutional characters which affect the goals of public policy and the values which underpin them. Liberal welfare states are characteristically residual, focussing on means-tested targeting and the private provision of services, social democratic welfare states are universal and egalitarian in the social benefits that they provide, and conservative welfare states are more absolutist, usually dominated by religious power (Esping-Anderson, 1990). These typologies aid in contextualising the international comparative analysis of voucher schemes which follows. Analyses of particular voucher schemes are regularly inconclusive due to the limited scope of many voucher ‘experiments’ (Daniels & Trebilcock, 2005: 160-1; Levin, 2002: 167-8; Witte, 1998). The following international comparative study expands the scope of the investigation, revealing differences in the design and outcomes of voucher policies which offer important insights for the prospects for social democratic reformist vouchers.

United States of America

Education vouchers in the United States are perhaps the best known and most widely debated voucher schemes the world over, but the heterogeneity of schemes between states makes it challenging to provide a clear characterisation of American vouchers. Two open enrolment voucher schemes existed as early as the 1870s, and since 1990 various limited and targeted voucher programs have emerged in eight states and five individual cities and counties, including one funded directly by the federal government in Washington, DC (National School Boards Association, 2012). Few American voucher schemes closely resemble the proposal outlined by Friedman, but most share a philosophical commitment to limited equality of opportunity, and all demonstrate a far more active direction of education consumption by government than is depicted in common understandings of vouchers. This paper will focus primarily on the more

extensive voucher schemes, which reach at least 1% of the students in the state or city to which they apply [see table 3.1], with some reference to the open enrolment schemes in Vermont and Maine [see table 3.2]. It will explore the design features of these schemes, with reference to their foundation in political liberalism, and a formal notion of equality of opportunity, as well as their outcomes, including the degree to which they facilitate the integration of students from different socio-economic backgrounds. These various elements are plotted in tables 3.1 and 3.2. The limited nature of American education voucher schemes, usually applying to only a small portion of the student population, makes it difficult to draw clear-cut conclusions about their stand-alone outcomes, but taken together, it is possible to see that differences in the character of state regulation around vouchers produce divergent results, in regard to student performance, equity, and integration.

Liberalism

The Liberal foundations of America's welfare state have shaped its education voucher policies in two contrasting ways. On the one hand, faith in individual responsibility, social mobility, and the value of innovation in the marketplace supports freer terms of production, while on the other, the dominance of secular ideology in institutional structures challenges the scope of vouchers schemes as applied to religious schools. Contestation around these ideas contributes to the diversity among American vouchers schemes, and their changing character over time. All American voucher schemes are characterised by fee deregulation and the individual negotiation of teacher salaries [see table 3.1], reflecting the individualist and market-oriented values which underpin policy, similar to Friedman's vision. The Cleveland and Milwaukee schemes allow schools to charge fees to privately-paying students above the value of the voucher, but voucher students unable to pay the difference can not be rejected for failure to pay (Peterson et al, 1996: 44). The fact that all American voucher schemes are capped at the current per-pupil expenditure on public education in their given locale demonstrates the Friedmanite belief underpinning these schemes; that existing private schools are both superior, and fundamentally more efficient, than public, if transferring the same, or often less, in public dollars to a private school is perceived as improving the lot of the children in question. With the exception of Washington DC, most new vouchers schemes confer minimal direct operational regulations upon private education providers. For example, in the voucher schemes of Ohio, Georgia, Utah and New Orleans (all inaugurated since 2005), schools are able to select and reject students at will, similar to the longer standing Florida scheme (National School Boards Association, 2012). Such policies are designed to create the conditions for mutually beneficial and voluntary exchange between producers and consumer of education, and more latently support profitability by allowing schools to 'cream-skim' the most preferable students who are easier, and cheaper, to teach. This reflects the state's ongoing role, suggested in chapter 1, in constructing and extending market logics, and creating the very terms upon which 'free' market production is seen to depend. This role is characteristic of the processes of actually existing neoliberalism.

Table 3.1 Contemporary American education vouchers

City/State (inaugurated)	Milwaukee, WI (1990) ²	Cleveland, OH (1995) ³	Florida (1998) ⁴	Washington, DC (2004) ⁵
Number of students (% student population)	23 000 (25%)	5200 (7%)	21 000 (~1%)	1000 (~1%) [down from 1900 in 2007]
Student eligibility	Low income public school students K-12; In 1990, 175% poverty line; in 2011, 300% poverty line	All students K-8; priority to low income background; 25% of vouchers to current private school students	Disadvantaged and disabled students in 'failing' public schools	Public school students K-12; up to 185% poverty line
School eligibility	All private schools; religious schools included since 1998	All private schools	Secular private schools; religious schools excluded since 2006	All private schools
Regulation of private schools	Since 2011: Inspections, teacher accreditation, standardised testing and reporting	Since 2000s: Achievement testing and (non-publicised) reporting to government	No additional regulation	Fiscal rules, central evaluation, inspections, and standardised testing.
Negotiation of teacher remuneration	Individual negotiation at the school level	Individual negotiation at school level	Individual negotiation at school level	Individual negotiation at school level
Can schools charge additional fees?	Yes, but voucher students are exempt	Yes, but voucher students are exempt	Yes, unlimited	Yes, unlimited
Can schools deny entry?	No, if below capacity	No, if below capacity	Yes	Yes
Transport costs included?	No	Yes, since 1998	No	Yes, if school fees are below the value of the voucher
How is information provided to parents?	Schools market themselves. Test scores published since 2011.	Schools market themselves	Schools market themselves	Schools market themselves
Voucher value	Equal to per-pupil funding for public schools or private school tuition (whichever is lower) ~ \$5000	75-90% of private school tuition (depending on socio-economic status) ~ \$3500	Equal to per-pupil funding for public schools, or private school tuition (whichever is lower) ~ \$6700	Equal to per-pupil funding for public schools ~\$7500

² Witte, 1998; Wolf, 2012.

³ Daniels & Trebilcock, 2005; National School Boards Association, 2012.

⁴ Levin, 2002; National School Boards Association, 2012.

⁵ Wolf et al, 2009.

Table 3.2 Early open enrolment voucher schemes

	Vermont (1869) ⁶	Maine (1873) ⁷
Number of Students (% student population)	6500 (6%)	36 000 (55%) [6000 to private, 30000 to public schools]
Student eligibility	Residence in town with no public school or a school too small to meet demand	Residence in a town with no public school
School eligibility	Secular public and private schools; religious schools excluded since 1961	Secular public and private schools; religious schools excluded since 1983
Regulation of private schools	Finance, staffing and safety rules, and standardised testing	Standardised testing if 60% of students voucher funded
Negotiation of teacher remuneration	Salary schedules negotiated at district level	Salary schedules negotiated at district level
Can schools charge additional fees?	Yes, unlimited	Yes, unlimited
Can schools deny entry?	Yes	Yes
Transport costs included?	Varies between towns	No
How is information provided to parents?	Schools market themselves; Some towns allocate all students to a particular school	Schools market themselves; Some towns allocate all students to a particular school
Voucher value	Equal or less than avg. per-pupil funding for local public school: \$5000-\$7000	80% of avg. per-pupil funding for public school ~ \$6000

Across all American voucher schemes, the government's ongoing direction of education consumption is clearly evident in different policies on student eligibility and voucher value. Vouchers of higher value, such as those in Washington DC and Florida [see table 3.1], are designed to attract as many schools as possible and discourage 'opting out' of the system by private schools, limiting exclusion through fee levels (James, 1984: 612). Conversely, lower value vouchers, like Cleveland's, may make voucher students less attractive to schools whose base fees are set at a higher level, although the lowest-income students are made more attractive as they attract a higher unit of funding. States enforce legislation of these design features, while subsidiary bodies oversee the application process for vouchers and their appropriate use in accredited private institutions. The liberal welfare state's emphasis on means-tested targeting and private provision is not exclusive of, but rather clearly connected with, the state's ongoing direction of the consumption of privately-provided education.

⁶ Vermont Independent School Association, 2012; Sternberg, 2001.

⁷ Heller, 2001.

The impact of liberal secularism in American politics and society has had a contradictory effect on voucher scheme design, constraining rather than ‘freeing’ the terms of education supply. Interpretations of federal and state constitutions have made public funding of parochial institutions a highly controversial legal issue in the United States. The debate has centred primarily on whether or not providing subsidies to students attending religious schools constitutes support of religion, violating the constitutional separation of church and state. The very first American voucher schemes in Vermont and Maine applied to both public and private schools, of religious and secular persuasion, and were designed to fund the transfer of students from towns where demand for public schooling outstripped supply, to schools with extra capacity in nearby towns or districts (Heller, 2001; Sternberg, 2001). Religious schools were excluded after 1961 in Vermont and 1983 in Maine, following legal challenges. The Milwaukee Parental Choice Program, inaugurated in 1990, initially offered students choice among only non-sectarian private schools, until a 1998 Wisconsin Supreme Court ruling approved the expansion of vouchers for use in private parochial schools (Witte, 1998: 231). The education voucher system enacted in Cleveland, Ohio in 1995 was harshly criticised for its inclusion of non-secular institutions, even after the *Zelman vs Simmons-Harris* Supreme Court ruling on the federal constitutionality of the scheme in 2002 (Daniels & Trebilcock, 2009: 162). The court determined that the voucher scheme was constitutional on grounds that the subsidies were directed at parents rather than the schools, they were religiously neutral, and sufficient secular school choices were available. Interestingly, Florida excluded religious schools from voucher funding in 2006, after a court deemed the scheme to be in conflict with the state’s constitutional commitment to uniform, religiously neutral public education. All the other schemes inaugurated since 2004 have allowed religious schools, although not uncontroversially (National School Boards Association, 2012). The limited nature of most voucher programs is explained in part by a need to counter widespread accusations of constitutional dubiousness with smaller-scale ‘experiments’.

Formal equality of opportunity

The legal and ideological barriers to public funding of private schools have politicised and constricted the expansion of American voucher schemes, but education vouchers have also been limited in terms of student eligibility, devised to address equality of opportunity through means-tested targeting of vouchers. The use of targeted, rather than universal, vouchers conflicts with Friedman’s 1955 schema, but the logic behind the systems’ design is drawn from the Friedmanite limited equality of opportunity rationale, with vouchers designed to give the less well-off the ability to choose the private school education that is otherwise afforded by the better-off through private means. The institutional history of the United States’ welfare state development offers some insight into the pre-eminence of equity concerns in American voucher policy design. In the first years of the twentieth century, school funding and provision was decentralised into districts, causing a great spatial hierarchy of spending on education as local property taxes were used to fund local schools (Ritzen et al, 1997: 330). As a result, public schools with better reputations and better performance records are overwhelmingly concentrated in wealthier neighbourhoods. (Daniels & Trebilcock, 2009: 151). In America, voucher schemes

are presented as an answer to the spatial inequities that result from students being limited to a choice among public schools in their local district, so all schemes have been characterised by the free movement of students around the whole of the voucher-specific area.

The use of targeted vouchers for financially disadvantaged, disabled or special needs students, has been the starting point for nearly all American voucher 'experiments'. The Milwaukee Parental Choice Program initially limited eligibility to students whose families earned below 175% of the federal poverty guideline, and vouchers were only granted to 1% of the public school student population (Witte, 1998: 231). This has since been extended to an unlimited proportion of students from families of earnings up to 300% of the poverty line [see table 3.1]. No discrimination is exercised on ground of race, ethnicity or prior performance, and oversubscription for voucher places is decided by lot. Florida's state-wide voucher scheme, enacted in 1999, offers vouchers to disadvantaged children and children with disabilities in 'failing' public schools, rather than being directly means-tested (Levin, 2002: 163). Cleveland's school vouchers target low socio-economic background applicants with higher value vouchers, and are limited in their cash-equivalency so that only 25% of vouchers can be collected by students currently attending private schools (Daniels & Trebilcock, 2009: 170). The gradual expansion of the Milwaukee scheme, now funding 23 000 students, demonstrates the development from trial program to more extensive scheme, which other programs are expected to follow (Wolf, 2012).

Outcomes

American voucher schemes have been designed to lift disadvantaged students into superior learning environments, but the success of these schemes in improving student performance and educational attainment has been widely contested. In both Cleveland and Milwaukee, voucher students in private schools have been recorded in a number of studies as performing better than their public counterparts (Greene et al, 1996; Rouse, 1998; Peterson et al, 1999). However, other studies have argued that, when adjusted to reflect students' socio-economic background, the difference in achievement is negligible or voided (Carnoy, 1998: 313; Witte, 1998: 238). One ongoing study of the Milwaukee voucher program found that voucher students, adjusting for socio-economic disadvantage, performed better, but only in the 2010-11 school year. It also found that the most economically disadvantaged students continually ranked amongst the poorest performers in both public and private schools (Wolf, 2012). Similarly, in Washington DC, voucher recipients overall made improvements in reading ability, but relatively disadvantaged groups made no significant progress (Wolf et al, 2009). Cleveland presented an interesting result, with performance gains for voucher students attending private schools marginally better overall, but significantly improved for African American students, considered among the most disadvantaged (Greene, 2001). This result could be attributed to the higher value voucher offered to the poorest students, making them more attractive to more desirable private schools. A clear advantage of all American voucher schemes has been the consistent finding that the majority of both parents and students who take up vouchers are more satisfied

with their new schools compared with their previous ones (Greene et al, 1996; Witte, 1998; Peterson et al, 1999; Levin, 2002; Wolf et al, 2009; Wolf, 2012).

America's limited voucher schemes have arguably resulted in welfare improvements for the individual families who take up targeted vouchers, but their overall impact represents an insufficient response to more systemic inequities. This broadly reflects the programs' design according to the Friedmanite logic of limited, formal equality of opportunity. School choice schemes tend generally to unevenly favour higher income groups as a result of the search costs involved with seeking information about schools, as the basis for choice, and transportation of children to a more distant but possibly preferable school (Carnoy, 1998: 311-2; Levin, 2002: 167). The American solution of limiting vouchers to a targeted group of low income families does not wholly rectify this dynamic, as other elements of policy design fail to challenge existing inequality. As American schemes are designed to move disadvantaged students out of the public sector, there is some suggestion that school selection of students through 'cream-skimming', or out-pricing due to the deregulation of fees, can lead to the further demise of public schools, left with simultaneously poor, disadvantaged, and less-able cohorts (Daniels & Trebilcock, 2005: 150-5). The exemption of voucher students from additional fee payments in Milwaukee and Cleveland tempers this impact. The ongoing study of the Milwaukee voucher program has revealed an overall improvement in student performance in both the public and private sectors, despite a \$52 million fiscal-year saving in state education expenditure, which may discredit the assertion of 'cream-skimming' in this case (Wolf, 2012). Little published evidence exists comparing the performance of public and private schools under other American voucher schemes.

Although evidence of cream-skimming in the United States is inconclusive, there is a clear indication of consumer 'self-selection' in school choice. Supporters of vouchers have admitted that 'they probably attract the more capable of the disadvantaged poor' (Greene, 2001: 135). For example, families who applied for school vouchers in Milwaukee were all classed as low-income-earners, but comprised of parents who had a higher average level of education than the low-income parents of public school students broadly. 52% of voucher parents had had some college education, compared with only 30% of parents of all public school students, and twice the proportion of the former group were college graduates; rates of 9% and 4% respectively (Witte, 1998: 234). This dynamic indicates the potential for an inter-generational reproduction of disadvantage in children of less educated parents, less likely to take up vouchers. Evidence of 'self-sorting' has also been noted in the Washington DC program, where one of the primary reasons parents declined to take up vouchers (after a lack of space in the desired school) was a lack of special needs assistance in the schools available, especially a lack of English language learning programs (Wolf et al, 2009: 23, 57, 64). These issues raise the concern that existing private schools may be as unresponsive to student needs and tastes as existing public schools. Some have argued that it may be necessary to subsidise or incentivise the creation of new schools to rectify this problem (Peterson et al, 1996). In both Sweden and the Netherlands, the creation of new schools and adaption of current schools has been a focus of policy, as will be

explored below. While vouchers in the USA are formally available to all low-income students, reflecting equality of treatment, in practice existing inequalities create barriers to equal access, and produce a very limited version of equality of opportunity.

Integration

One indicator of a more equal uptake of the opportunities for choice is the level of socio-economic integration present in schools substantially comprised of voucher students. Wilkinson and Pickett (2010: 163-6) have argued that social exclusion leads to a greater divide between 'highbrow' and 'lowbrow' tastes, which contributes to the internalisation of social hierarchy and difference into individuals' preferences and self expectations. Greater social integration in schools helps break down these cultural hierarchies and discriminatory tastes that act to exacerbate economic inequalities. As noted above, the primary obstacles to the uptake of vouchers for poorer families are the additional search and transportation costs associated with school choice. The Cleveland voucher scheme, which covers the additional cost of transportation of students to more distant schools, has resulted in greater social and ethnic integration in the schools with the largest numbers of voucher students, more reflective of the demographic mix of the Cleveland area than pre-existing public or private schools (Daniels & Trebilcock, 2005: 161). The Milwaukee scheme, which does not subsidise transportation [see table 3.1], has had no effect on pre-existing segregation (Wolf, 2012). In the Vermont voucher system [see table 3.2], regulation of transportation is decentralised, with some towns electing to provide publically-funded buses, and others placing the onus on parents to cover the cost. This system is celebrated by some for the efficiency improvements derived from community and individuals' cost-saving innovations in transportation, such as car pooling (Sternberg, 2001). Levels of integration, however, are difficult to measure as a result of the relative homogeneity of Vermont population.

The Cleveland and Milwaukee schemes are quite similar, apart from the inclusion of transport costs in Cleveland, and the higher level voucher offered for the poorest students. This suggests that the different result with regard to socio-economic integration could be attributed to the state's responsibility for the additional cost, beyond tuition, of active school choice away from the local neighbourhood, as well as the incentive to private schools to take in the poorest students. This confers more substantive opportunities upon children from the poorest households, who are also often over-represented in ethnic minorities. The significance of subsidised transportation and other search costs can not be taken alone in this case. It is important to remember that, due to the low level of the Cleveland voucher subsidy, schools largely comprised of voucher students tend to be the lower-cost private schools in the area, complemented by a number of expensive schools with lower numbers of voucher students and levels of socio-economic integration (Levin, 2002). The role of search costs in promoting integration will be further explored below with reference to Swedish and Dutch school choice programs.

Clearly, the character of regulation in America's longest running education voucher schemes is very different between programs, and starkly different from Friedman's 1955 proposal. While some social integration and improved performance for disadvantaged groups has been observed, particularly in the Cleveland scheme, overall the effectiveness of most programs is limited in addressing systemic inequality. This is not surprising, given the foundation of most schemes in a limited, formal vision of equality of opportunity, derived from Friedmanite ideas. While the schemes may be considered to confer equality of treatment upon individuals whose financial resources are insufficient to afford private education, the evidence of self-selection and ongoing under-performance of the poorest and most disadvantaged groups indicates that these schemes have not amounted to increased freedom, and in most cases offer a limited version of choice for recipients. Proponents of school choice in the United States are quick to argue that, until more extensive voucher programs are trialled and studied, it is impossible to know whether the results of limited programs will be replicated, and what kinds of regulation may be necessary to combat segregation and inequality (Hill & Guin, 2002: 46). However, the positive results in Cleveland indicate that policies which address search costs and make the poorest groups most attractive to private schools may promote greater integration and more substantive equality. The limited scheme in Cleveland can not be taken alone, but a comparison of the limited United States experience with international voucher programs offers a broader perspective which help to substantiate these conclusions, and inform the possibilities for progressive reform. It is essential to identify these problems and prospects now, while existing American voucher schemes, including seven new programs inaugurated since 2011, begin to rapidly expand.

Sweden

Prior to the introduction of vouchers, Sweden had a highly centralised, universal, high standard state education system, in line with its history as a social democratic, largely socialised welfare state. Schools were funded directly by the national government, and students were assigned to attend their local public school. Vouchers in education were implemented as part of the wave of decentralisation of public services stemming from the introduction of allowances in the *Local Government Act of 1992* for municipalities to provide public finance for private provision of services. Education vouchers were justified on grounds of making schooling more receptive to student and parental preferences (Bjorklund et al, 2005: 7-8). The voucher program is nationwide, but administered by the municipalities, so levels of voucher value and rules about enrolment vary slightly between regions. All private schools, known as 'free' schools by virtue of their freedom from state direction of teaching, are eligible for vouchers, including for-profit and religious schools. There is no academic streaming in the compulsory years of schooling, from age 7 to 15, unlike most nearby central European nations, including the Netherlands (Wiborg, 2010: 18). The design features of Swedish education vouchers are described in table 3.3. The Swedish experience of education vouchers has been viewed in the context of the neoliberalisation of the Swedish state, and the softening of social democratic values. However, it is also clear that the nation's social democratic history and commitment to egalitarianism has significantly shaped its voucher policy design and their outcomes. This section will consider the influence of social democratic values and egalitarianism upon Swedish voucher scheme design,

as well as the ways in which the state has actively created a private market in education, and the outcomes of education vouchers in Sweden.

Table 3.3 Swedish education vouchers

Student Eligibility	Universal; all compulsory-schooling-aged students (7-16)
School Eligibility	All public and private schools; some municipalities enforce residential admission zones for schools
Regulation of Private schools	National ‘goal-setting’, municipal inspections, standardised testing in final compulsory year
Negotiation of teacher remuneration	Individual negotiation at the school level
Can schools charge additional fees?	No
Can schools deny entry?	Some; in Stockholm and for ‘profile’ schools
Transport costs included?	No
How is information provided to parents?	School self-assessment and reporting, public dissemination
Voucher value	Standardised, flat-rate within municipalities

Social Democracy

In chapter 1 and 2, vouchers, viewed as publicly-directed consumption, were described as a tool for addressing the perceived tension between individual tastes and social values. While it was implied that the process of institutional ‘reconstitutive downward causation’ renders these goals less exclusive of one another than some authors suggest, it is important to recognise that the ways in which individual and social goals interact differ in different ideological and institutional contexts. The social value of a common educational experience is likely more significant in social democracies such as Sweden, than in liberal welfare states like America. It is surprising, then, that Sweden’s education reforms of the last twenty years have been characterised by a desire to diversify primary and secondary education. The evidence indicates a vacillating period in Sweden, characterised by both change and continuation of social democratic values.

There are two dominant perspectives on the reasons for the introduction of school choice in Sweden. Some authors view the reforms as the result of an invasion of Swedish egalitarianism by neoliberal ideas from the 1970s and 80s, leading not only to the growing influence of conservative and liberal political parties, but a general distaste for the hefty public sector, since viewed as bureaucratic and inefficient (Carnoy, 1998: 335; Wiborg, 2010: 9). Others have described the change as a process of institutional development and legitimisation, whereby Swedish social democrats identified that in light of the increasingly individualist centre of democratic ideas, the presence of universal tax-funded welfare services that did not meet taxpayer tastes represented a threat to the legitimacy of the regime (Aasen, 2003: 125-6; Klitgaard, 2007: 182). By either interpretation, it is clear that the introduction of school vouchers, along with other changes to the provision of public services around the same time,

reflect a shift in official and possibly popular conceptions of social democratic governance in Sweden, in line with worldwide neoliberalising processes.

The impact of changing ideals upon the outcomes of the school voucher scheme can be observed in the experience of Swedish teachers in the decentralised funding system. While teacher salaries and employment conditions were still negotiated centrally in the initial reforms, from 1995 these decisions were decentralised to the level of individual schools, as noted in table 3.3 (Bjorklund et al, 2005: 12-3). In practice, due to the history of collectivisation, unions still worked as a bloc in negotiations and pattern bargained with schools in particular municipalities (Carnoy, 1998: 331). However, in the last decade, a gradual decline in wages and growing instability of working conditions has been met with a decline in the number of graduate teachers, causing some concern about the future of educational standards, class sizes and teacher quality (Bjorklund, et al, 2005: 173-4). While decentralisation is seen as enhancing democracy by the centrist designers of the 1992 reforms, the character of regulative change has undervalued teaching as a welfare service, and the marketisation of remuneration may lead to significantly less equal outcomes. This process is clearly connected with the structure of the Swedish education system, and the design of its education vouchers.

The continuation of social democratic values in individual preferences is reflected in the choice of schools, by students and parents, under the voucher system. While parental awareness of the voucher system and active school choice was initially low (Carnoy, 1998), the number of private, or 'free', schools in Sweden has rapidly grown under the scheme, from only 60 in 1991, to 709 in 2010 (Wiborg, 2010: 11). Most of these schools, however, are non-denominational, competing with public schools for similar students, with most of the population preferring a more general, non-religious approach to schooling (Sandstrom & Bergstrom, 2005: 352). This suggests that individual preferences are relatively homogeneous in Sweden, or at the very least, that parents see some value in a shared educational experience. However, there is still some evidence of active school choice being made in Sweden. While free schools cater to a relatively low portion of the student population, between 0 and 25% depending on the municipality, it is roughly twice as common for students to choose to attend a public school *other than* their formerly-designated local one (Bjorklund et al, 2005: 116). Unfortunately this group of students is relatively under-studied compared to those who choose a free school, but it indicates that participation in active school choice is much higher than the free school attendance figures suggest.

Egalitarianism and equality

The egalitarian principles of Swedish social democracy have long shaped an education system designed according to equality of outcome, to minimise inequality and eradicate socio-economic disadvantage (Bjorklund et al, 2005: 7). The universal, flat-rate value of Swedish vouchers reflects these egalitarian principles [see table 3.3]. School spending varies between municipalities, but there is no discrimination in the per-pupil allocation between public and private school within municipalities. Like the anti-discrimination laws which govern school

admissions in the United States, religion and ethnicity are not considered legal grounds for refused entry of students. Student ability and previous performance is also excluded, except in the municipality of Stockholm, and for entry into 'profile schools' for students who are gifted or particularly interested in areas such as music, performance, or technology (Sandstrom & Bergstrom, 2005: 356). State direction of education provision under the Swedish system is more direct on the supply side than in the American case. Shortly after the introduction of decentralisation and voucher funding, national government re-regulation in the form of the *Education Act of 1994* prevented all schools from charging fees to students beyond the value of the voucher, and subjected free schools to inspection by municipal bodies. Moreover, it instituted the expectation that free schools would offer the same ancillary services, such as home language instruction for immigrants, and student health services, which had previously been limited to public schools (Carnoy, 1998: 335; Wiborg, 2010: 10). This direct legislative approach, unlike the consumption-directed approach of American voucher schemes, reflects Sweden's history as a social democratic welfare state, in contrast to America's liberal regime.

Creating Markets

As noted above, the move toward a decentralised voucher-funded education system was part of the neoliberalisation of welfare services in Sweden, entailing a deliberate marketisation of schooling. In this process, the Swedish state created the conditions for market operation by encouraging both the establishment of new schools, to foster diversity, innovation, and responsiveness to individuals' tastes, as well as the spread of information about schools, so that consumers of education could make informed decisions about providers. While schools were quite heavily regulated in the fashion described above, they retained control over student assessment and grading, teaching hours, and teaching methods, in order to encourage innovation (OECD, 1994: 81). Since 1990, the number of free schools in Sweden has dramatically increased, from only a handful to around a quarter of all schools in the nation, while the average proportion of students in compulsory schooling enrolled in free schools has increased tenfold, from less than 1% to about 9% (Swedish Association of Independent Schools, 2009). This small but significantly increased share has been facilitated by the relative ease of opening new schools to cater for particular needs or tastes. For example, in the mid-1990s, frustration with the programs and facilities in current schools led a group of parents of disabled students to open their own school (Carnoy, 1998: 334). The Swedish national government directly oversees the creation of new schools, through an approval process by the National Agency for Education in which schools must justify their compliance with the national goals of compulsory schooling (OECD, 1994: 79). Since 2008, municipal governments have exercised more control over whether a new school is established, based on the potential consequences for the local school system as a whole (Wiborg, 2010: 17). That is, while an increase in the number of providers, catering to smaller numbers of more specific students, is encouraged, new schools which may draw too many students from existing schools, where there is no increased demand, can be rejected. The growth of, and limits upon, marketisation are deliberately controlled in the Swedish voucher system.

The marketisation of education provision has also entailed the dissemination of new market information about school character and performance, by both schools and government bodies. In 1993, only 75% of parents had heard of the recent school reforms, and only 47% felt they were well-informed about the new process (OECD, 1994: 82). By the school year 1993-4, schools had actively started to market themselves to parents by creating advertisements and brochures directed at prospective students. This process was later enforced in the form of performance reporting, although the public dissemination of information remains complicated by school self-evaluation processes [see table 3.3], which means that different schools grade students in uneven and unequal ways. Moreover, students of free schools only undergo standardised testing in the final year of compulsory schooling. Some commentators advocate an increase in standardised testing and centralised evaluation to mediate this process (Bjorklund et al, 2010: 175-6). Central dissemination is intended to equalise the search costs associated with school choice, so that parents and students are equally well informed about their school choice options. However, as was noted in chapter 1, the dissemination of market information may be interpreted as an inefficient misdirection of government resources away from schooling (Levin & Belfield, 2005: 140; Levin & Driver, 2007). The pertinent trade-off in this situation is whether private or public resources are used to cover these search costs, essential to the creation and operation of markets. If having students attend schools which are more suited to their needs represents a more efficient state of affairs, then assuring that unbiased information is available to parents and students, even at greater cost to government, might not be considered inefficient. In contrast, the use of private resources (both of producing schools and of consuming families) may lead to the uneven transmission of information due to income differentials, and misrepresentations by schools in the interest of commercial gain. Such issues reflect the difficult trade-offs associated with voucher design, which go beyond the analytical equality-efficiency trade-off which was disputed in chapter 2. They also bring out the contradictions of actually existing neoliberalism, as governments are faced with new forms of 'market imperfections'. The Swedish government has prioritised equal access to information in the interests of egalitarianism, in contrast with the American voucher schemes which relegate these search costs to the private realm, outside the reach of formal equality.

Outcomes

The outcomes of Swedish education vouchers offer a more interesting test of the voucher mechanism than the limited schemes in the United States, as the national scope of the Swedish scheme has made significant systemic changes to the pre-existing model of education funding. The performance outcomes of the Swedish scheme, however, have been equally debated. Studies have observed a small increase in educational attainment and achievement in students of free schools, as well as improvement in national English and mathematics tests in public schools which experienced competition from free schools in the local area (Sandstrom & Bergstrom, 2005: 355; Wiborg, 2010: 13-4). Considering Swedish student performance is high in international perspective, these minor increases could be considered good results. Moreover, while spending on education as a percentage of GDP has increased overall, the proportion of this dedicated to the compulsory years of primary and secondary schooling has declined

relatively, indicating an efficiency improvement or at least maintenance. These costs and achievements may be ambiguous, however, as the independent systems of grading for free schools have been criticised for ‘grade inflation’ (Bunar, 2010: 12). Despite this, parents of free school students, like those of voucher participants in the United States, have been overwhelmingly satisfied with their school choice, and the voucher program overall has long enjoyed the support of many parents groups (Bunar, 2010: 5). There have, however, been early reports in the last twelve months of decreased faith in free schools, widely attributed to grade inflation (Orange, 2011; Holst, 2011; Martin, 2012). The impact of the free schools on students’ performance remains unclear, but according to these reports, citizens and some government ministers are calling for greater governance of school evaluation and reporting procedures to address this issue.

The Swedish voucher schemes’ questionable impact upon student performance is mirrored by their contested outcomes in terms of equality and integration. The residential zoning requirements for admission into schools in certain municipalities have been identified as the main catalyst for the segregation of low-income migrants and ethnic minorities into separate, mostly public schools, due to the spatial concentration of these groups in cultural enclaves within urban areas (Wiborg, 2010: 14-5; Bunar 2010: 9). Migrant and first generation Swedish students are actually over-represented in free school enrolments, but are predominantly the children of high-skilled migrants, living in wealthier areas where free schools are primarily located (Wiborg, 2010: 11). In suburban areas where schools are obliged to accept all students, social integration in both public and free schools is much more comparable. However, there are significantly fewer free schools in suburban and rural municipalities. Minority-group students who travel from the outskirts of urban areas to more elite schools in the city centres are found to still socialise primarily with students from their own area, rather than experiencing greater social integration, and as more disadvantaged students move to predominantly Swedish-born schools, Swedish-born students are more likely to leave (Bunar, 2010: 10).

The growing cultural divide between these groups seems to reflect the problematic hierarchy of tastes which Wilkinson and Pickett (2010: 163-6) describe as exacerbating economic inequality. Cultural difference is compounded by the lack of incentive that schools predominantly composed of Swedish-born students experience to accept migrant and minority students, although the flat-rate value of Swedish vouchers has probably endured due to political support for universalism in the context of social egalitarianism (Bjorklund et al, 2005: 28). It is important to remember that these patterns of social segregation are statistically significant, but small compared with the levels of segregation and inequality between schools which are present in the American education system. Swedish socio-economic segregation, and achievement differentials between municipalities and between schools, are very low in international perspective (Bjorklund et al, 2005; Wiborg, 2010: 18). Moreover, although inequality has grown in Sweden for a variety of reasons including demographic change and neoliberalising processes such as financialisation, after-tax inequality in Sweden is still significantly lower than in the USA [see table 3.5]. The demographic composition of Swedish cities has changed since

the introduction of the voucher scheme, and these patterns reflect a need for policies which go beyond the abolition of residential zoning rules. The broader problem of cultural segregation of migrants is one which can not be dealt with entirely through education funding policy. However, it seems clear that Swedish flat-rate vouchers, tied to the historic egalitarianism of the nation's welfare state history, have been insufficiently responsive to the changing demographics, social structures, and notably increasing socio-economic inequality over the last twenty years.

The Netherlands

In comparison, the Dutch system of quasi-vouchers has been far more responsive to structural change throughout its longer history. The Dutch system of school funding evolved around the turn of the twentieth century, in a drawn-out 'battle for the schools' where a large religious population fought for equal funding of schools both public and private; secular and religious. The system which has evolved [see table 3.4] can not explicitly be described as employing vouchers, as government funding goes directly to schools for payroll, infrastructure, and educational resources, rather than to students or parents as an entitlement. However, funding varies on a per pupil basis, and the system is widely accepted and discussed as voucher-like in design and nature, shaped by the dynamics of consumer choice and exit (Daniels & Trebilcock, 2005; James, 1984; Justesen, 2002). Most importantly for the purposes of this paper, changes to the Dutch system over time reflect adaptations to favourable and unfavourable outcomes, offering lessons for the design of voucher schemes internationally. This section will consider the differences in the Dutch scheme derived from its conservative origins, the ways in which equity concerns have emerged and been addressed over time, and the impacts of enhanced competition on the education system over all.

Table 3.4 Dutch quasi-vouchers

Student Eligibility	All students
School Eligibility	All schools
Regulation of Private schools	Centralised curriculum, testing, and inspections; teacher accreditation.
Negotiation of teacher remuneration	National wage setting
Can schools charge additional fees?	Yes; limited to the cost of additional facilities (eg. swimming pools)
Can schools deny entry?	No
Transport costs included?	Yes
How is information provided to parents?	Centralised evaluation, collection and dissemination
Voucher value	Graded , according to socio-economic background & geographical disadvantage

Conservatism

The most marked aspect of the Dutch education system, which differentiates it from both the America and Swedish examples, is its sharp differentiation or ‘pillarisation’ along religious lines, into schools of secular, protestant, and catholic association. In the first half of the twentieth century, this segregation was usual in the private provision of welfare goods, including social services and health care, and reflects the Netherlands’ conservative origins as a country where religious power dominated early welfare state reform (James, 1984: 605-7). The public funding of private religious schools was accepted in the 1917 Constitution due to the reach of religious power. Liberal intellectuals championing the virtues of a common moral secular education were not populists, but a disconnected elite (Hooker, 2009: viii; 27). Dutch social conservatism has made segregation, both systematic and as a result of public choice, more acceptable as an outcome of the education funding scheme. Like much of central Europe, students in the Netherlands are separated from age twelve into four educational ‘tracks’, designed to provide the student with vocational training, ‘lower general’ education, ‘upper general’ education, or prepare them for university. Students are free to choose between tracks, and schools may offer more than one ‘track’ in the same institution (OECD, 1994: 69). This segmentation occurs identically in both public and private schools. Its primary impact in relation to school funding is that parents seeking an elite education for their child need not send them to expensive private schools, as segregation of students according to merit or work ethic is systematic in both the public and private sectors (James, 1984: 621-2).

Equity

The impact of the Netherlands’ voucher-like funding scheme by the middle of the twentieth century was to further segregate populations along denominational, socio-economic and racial lines. Parents were most likely to choose an educational track for their child’s schooling which mirrored their own experience, meaning that the children of educated, financially well-off parents were likely to reproduce this pattern of socio-economic dominance generationally (James, 1984). Foreign-born children, mostly Moroccan and Turkish immigrants, had difficulty integrating as an ethnic minority, and were heavily concentrated in public schools running low-track programs (OECD, 1994: 95). Moreover, performance in national testing was lower, adjusting for track, for students from lower socio-economic backgrounds (Ritzen et al, 1997: 330). These impacts, at their height in the early 1960s, starkly mirror some of the problems that have emerged from both the American and Swedish systems. Demographic change in the Netherlands occurred much earlier than in Sweden, and adaptations to the education system were made to address the systemic inequalities which had emerged.

From the 1960s and 70s, the regulative character of the universal funding unit allocated to Dutch students was significantly changed, to reflect its contemporary form as described in table 3.4. Funding has since been allocated according to students’ socio-economic background, so that the poorest students receive 190% of the value of funding as the best-off (Justesen, 2002: 21). Private schools are limited to charging minimal fees to students only for facilities, such as swimming pools and library extensions, which are not covered by government funding (James,

1984: 611). Public primary and secondary schools do not charge any fees to students, and failure to pay is legally no grounds for refused entry to a private school (Ritzen et al, 1997: 333). By the 1990s, the spatial concentration of immigrant students in low-track public schools had reversed, as immigrant populations grew and residential zoning restrictions for schools were abolished (Barritt, 1996: 250). The free transportation of all students to school via a highly developed public transportation system has further contributed to integration, so that the social composition of students in public and private schools is no longer significantly different (Dronkers et al, 2001: 11). Low socio-economic background students are 1.72 times more likely than the average student to be low performers in the Netherlands, compared with an OECD average rate of 2.37 times (OECD, 2010). The character of regulation around Dutch quasi-vouchers has not only produced greater integration in schools, but has also counteracted the potential cash-equivalency and regressiveness of its scheme. The potential advantage to families who would already have purchased private educate through personal means, to whom the subsidy is cash-equivalent, is counteracted by the larger level subsidy provided to lower-income and geographically disadvantaged families [see table 3.4]. Some scholars advocated targeted vouchers, such as those in the USA, to reduce the regressiveness of schemes in instances where the primary motive is to address inequality (Carnoy, 1998: 316). Universal schemes with graded funding units, however, act to equalise opportunities by encouraging socio-economic integration, while limiting the potential stigma associated with voucher limited to a particular group (Daniels & Trebilcock, 2005: 165).

The impacts of competition

Since Friedman's appraisal in the 1950s and 60s, education vouchers have increasingly been viewed as a means by which to enhance the productive efficiency and quality of schooling, through the dynamic of competition. From around the same time the focus of school choice in a rapidly de-pillarising Netherlands gradually shifted from freedom of religious education to *quality* of education (Hooker, 2009). As quality and performance became more important to parents, competition between schools to attract students intensified. The number of private schools in the Netherlands has grown significantly since 1917, leading to a highly competitive system of relatively smaller schools. The growth in the number of schools is in part due to the fact that the Dutch quasi-voucher system is complemented by a number of municipal grants to new schools, for start-up costs such as building infrastructure. In order to qualify for these grants, potential school administrators must prove a desire or need for a new school, of a particular style, in the community. Moreover, to stay in operation, a minimum number of students must remain enrolled in the school. In the early-1990s, the Dutch government increased the minimum number of students required to receive funding, prompting reactions from school administrations to actively differentiate themselves in order to attract more students. In the city of Haarlem, one school discontinued its second track to foster a more elite reputation, while another offering all four tracks sought to emphasise this mixed, less formal atmosphere as well as its excellent performance in music (OECD, 1994: 95-6). In one sense, this dynamic reflects the adjustment of school focus in response to the demands of student and parental choice, but it might also be interpreted as a misallocation of scarce education resources, representing

inefficiency in the system. The trade-off between school responsiveness and school marketing complicates voucher scheme design. Where mechanisms exist to ensure that schools respond to a genuine need or prevalent taste in the community, and that parents receive unbiased information about school choice options, potential inefficiencies or wastes of resources are minimised.

The method by which school information reaches students or parents as consumers, and the equitability of this process, is a key component of voucher scheme design. In the Netherlands, the operation of private schools is subject to more oversight than in either the American or Swedish case. This oversight allows for the transmission of relatively objective information about schools, based on a standard scale of centralised assessment. In order to receive government funding, all schools in the Netherlands must comply with a national curriculum and standardised testing, with a minimum required standard (Justesen, 2002: 17-8). Since the mid-1990s, school rankings in tests and other school information has been publically published, in an effort to minimise the search costs of school choice for students and parents. Since these scores have been published, there has been a statistically significant response to results in terms of school enrolments (Koning & Van der Weil, 2010). Since the rise of standardised testing in western democracies, some critics have highlighted that published results, and results which determine funding, can cause unhealthy teaching behaviours popularly known as teacher ‘cheating’ or ‘teaching to the test’, which do not contribute to long term educational outcomes, contributing to waste and inefficiency in the school system (Jacob, 2005; Jacob & Levitt, 2003a; 2003b). Given that funding is allocated to schools on a strictly per pupil basis, test results only indirectly affect funding. Though a link has been found between school performance and enrolment numbers, given the relatively small capacity of most Dutch schools and the multitude of taste-based factors that enter into school choice decisions, we could extrapolate that such ‘cheating’ behaviours are less prevalent than in systems where funding has been more directly related to test scores. The Netherlands has produced test results above, and educational attainment averages comparable with average OECD scores, which indicates that learning is of a reasonable standard, although a recent OECD report suggests that more guidance for parents and students to make correct school choices could increase educational attainment and reduce grade repetition (Justesen, 2002: OECD, 2012a). The Dutch government’s active role in the oversight of schools and information dispersion reflects the historical role of the state in the creation of markets, forging the institutional framework for exchange to take place. While great value is placed on consumer choice, individual students and their parents are not left with sole responsibility for the risks of information gathering and participation in the school market.

The Dutch case demonstrates that per-pupil government finance, combined with regulation of supply and direction of consumption designed to pursue substantive equality goals, can produce an equitable education system which is more responsive to the choices and tastes of students and their parents. Proponents of the Friedmanite voucher approach have viewed the complex regulative structure around Dutch quasi-vouchers as a hindrance to innovation and efficiency improvements (James, 1984; Justesen, 2002). This characterisation of vouchers as an efficiency-

driven policy tool is flawed, and ignores the realities of policy design which indicate that all voucher schemes are characterised by state direction of education, through some level of regulation and oversight. This oppositional attitude to regulation is not only unrealistic, but also obscures the potential of vouchers as a policy tool for strengthening substantive freedom through regulative systems which prioritise equality goals.

Comparative insights

In sum, it is pertinent to highlight some of the key insights from the comparison of voucher schemes in the United States, Sweden and the Netherlands [see table 3.5]. These insights help identify not only the pertinent trade-offs in voucher scheme design, but also the key areas of relevance for potentially progressive welfare reform through education vouchers.

Transport and search costs

Government responsibility for student transport to school and additional search costs associated with school choice is essential for the creation of free and fair terms of choice, and more equitable outcomes. The USA, Sweden and Netherlands have divergent policies on transportation and search costs [see table 3.5]. Government subsidies for transport were found to increase integration and equity in the Cleveland voucher scheme in the United States, and likely contributed to similar outcomes in the Dutch national voucher scheme. The Dutch policy of universal government funding for the cost of school transportation through the nationwide public transport system is arguably most equitable, although perhaps more feasible in a geographically small nation such as the Netherlands, than in America, due to obvious differences in the spatial constraints of open enrolment. Search costs are an equally important consideration for enhancing substantive freedom and equity. In the United States, the parents of voucher students, while low-income-earners, were likely to be more educated than the parents of low income students who did not take up school vouchers. Similarly, in Sweden, parents who made an active school choice were more likely to be Swedish born or high-skilled migrants, who had higher incomes and possessed more local knowledge from cultural integration. The dissemination of unbiased information about schools to all parents, and the existence of local support networks to aid in the choice process, are both also crucial for equalising access to the opportunities of school choice, and helping students to make the right choice for them, to increase educational attainment.

Residential zoning and integration

Open enrolment encourages greater socio-economic integration by breaking down spatial inequalities. Restrictions on the movement of students to schools in different localities have been shown to exacerbate inequality and social segregation in Sweden, resulting in the concentration of children of new lower-skill migrants in public schools in urban areas [see 'outcomes' in table 3.5]. The Netherlands' system of open enrolment and random selection of students over-subscribing to particular schools has contributed to higher levels of integration. More integration was seen in private schools significantly comprised of voucher students in Cleveland, but the structure of the voucher schemes, which allows students to choose between

Table 3.5 International Voucher Scheme Comparison

	USA	Sweden	Netherlands
Gini Coefficient 1990 Pre/After Tax	0.45/0.348	0.408/0.209	0.474/0.292
Gini Coefficient Late 2000s Pre/After Tax ⁸	0.486/0.378	0.426/0.259	0.426/0.284
Student Eligibility	Low-income, disabled, special needs students	All compulsory-schooling-aged students (7-16)	Universal
School Eligibility	Private schools only; Religious schools excluded in some States	All public and private schools	All public and private schools
Regulation of Private schools	Minimum safety standards (Centralised curriculum, testing and inspections in Milwaukee, since 2011)	National 'goal-setting', municipal inspections, standardised testing in final compulsory year	Centralised curriculum, testing, and inspections; teacher accreditation.
Negotiation of teacher remuneration	Individual negotiation at the school level	Individual negotiation at the school level	National wage setting
Can schools charge additional fees?	Yes, unlimited (restricted in Milwaukee and Cleveland)	No	Yes, limited to the cost of additional facilities
Admission zones?	No	Yes; varies between municipalities	No
Can schools deny entry?	Some; varies between programs	Some; In Stockholm and for 'profile' schools	No
Transport costs included?	Some; varies between programs	No	Yes
How is information provided to parents?	Schools market themselves (Milwaukee since 2011, standardised test results published)	School self-assessment and reporting, public dissemination	Centralised evaluation, collection and dissemination
Voucher value	Standardised (except Cleveland)	Standardised, flat-rate within municipalities	Graded, according to socio-economic background & geographical disadvantage
Outcomes	<p>Social and racial integration higher in the scheme where the cost of transport was covered, and vouchers graded</p> <p>Parents of voucher students more educated than low-income parents of public school students</p> <p>Private and public schools perform equally well when data is adjusted for student background, and poorer students are the lowest performers in both sectors</p>	<p>New migrants are concentrated in public schools in urban areas</p> <p>Schools have altered curriculum and 'profile' to attract new students</p> <p>Public and private schools perform equally well in final year exams</p> <p>Students in private schools vary between 0 and 25% in different municipalities, but public school 'choice' is twice as common.</p>	<p>Public and private schools have a similar social and racial mix</p> <p>Schools have actively altered teaching methods, special concentrations and tracks to attract new students</p> <p>Public and private schools perform equally well</p> <p>70% of students now attend private schools</p>

⁸ OECD (2012b)

private schools but not public, and encourages the ‘opting out’ of private schools with higher fees [see table 3.5], may limit overall integration. The relatively under-studied incidence of ‘public school choice’ in Sweden indicates that open enrolment in public schools may be as important for enhancing choice as vouchers for private schools. The United States system seems to be based on the assumption that private schools are superior public, but school performance, adjusted for students’ socio-economic background, is similar. In both the Netherlands and Sweden, public and private schools perform equally well. This evidence in combination indicates that choice between both public and private schools beyond the local area, as pursued in the Netherlands, may offer better results than simply lifting the poorest students out of perceived public school ‘ghettos’.

School differentiation, responsiveness and marketing

If the chief benefits of choice are to be derived from school responsiveness to student and teacher tastes and needs, the creation of new schools and existing school differentiation is a primary concern. In Sweden and the Netherlands, the dynamic of competition has influenced the behaviour of schools, which have actively altered programs to attract more students [see ‘outcomes’ in table 3.5], by focussing in special areas such as music or sport. In the Netherlands, schools use their selection of ‘tracks’ to attract a broader range, or in some cases only an elite group, of students. In Sweden schools have more autonomy over changes in curriculum and teaching content. In both countries, schools are marketed to students, which could be viewed as a misdirection of public resources away from actual teaching. However, this information process is essential for the operation of school markets, and where individual tastes and needs are more diverse, like in the Netherlands, may contribute to the most efficient, and more equitable, outcomes. The lack of emphasis in the American system on the responsiveness of schools represents a weakness in its system.

We can see from the comparison in this chapter that education vouchers are sometimes, perhaps often, capable of exacerbating existing socio-economic inequalities. However, insights from the different experiences in the United States, and the success of the Dutch system, indicate that vouchers also have the potential to break down inequality, if the character of state regulation and oversight actively addresses these equity concerns. None of the education voucher schemes currently in use can be described as very similar to the proposal first outlined by Milton Friedman. However, those which concentrate on Friedmanite formal equality of opportunity, or equality of treatment, fail to address systemic inequalities and therefore fall short of enhancing individuals’ substantive freedoms. This chapter has shown that the character of ongoing state involvement in the shape of education voucher policy can produce radically different results, which challenge the characterisation of vouchers as a the retreat of the state, and also give hope for the prospects of social democratic reformist vouchers, designed to enhance substantive equality and freedom, and reverse rather than extend the processes of neoliberalisation. These prospects, and the particular challenges of implementing reform in nations as diverse as the United States of America and Sweden, will be elaborated in the following chapter, where a social democratic reformist voucher is proposed.

4. Vouchers reconsidered

The prospects for social democratic reform

This paper has argued that the dominant conception of education vouchers as entailing the retreat of the state is misleading, and that vouchers as a policy of actually existing neoliberalism have always entailed an ongoing role for the state in the public direction of education consumption. The previous chapter demonstrated that while some voucher schemes, informed by the Friedmanite philosophy of limited equality of opportunity, may exacerbate existing inequalities and drive neoliberalisation, others have the potential to foster more substantive equality and freedom, depending on the character of the state's direction of education through regulation and oversight. This chapter argues, given an improved understanding of vouchers as publicly-directed consumption, that education vouchers have the potential be recast and used to pursue social democratic reform, to help reverse rather than reinforce neoliberalising processes in relatively unequal capitalist societies such as the United States of America. The chapter begins with a critique of the limitations of Third Way voucher reforms, arguing that they amount to a continuation of neoliberal ideologies, and goes on to present a pragmatic proposal for social democratic education voucher reform, informed by a framework of positive liberty and substantive equality. The third section justifies the voucher proposal offered, as compared with publicly-provided school choice alternatives, as a pragmatic strategy for progressive reform in nations such as the United States, where neoliberalism is quite entrenched, supported both discursively and by vested interests.

The limitations of 'Third Way' vouchers

Before elaborating the potential for voucher schemes as progressive policy tools for reversing the processes of neoliberalisation, it is important to differentiate the understanding of social democratic reform which informs this paper from that which is embodied in the 'quasi-market' literature of the Third Way. The neoclassical approach to welfare provision has been adapted, if not revolutionised, by Third Way scholars since the 1990s, who champion a compromise between free market economics and state socialism, advancing the importance of consumer choice alongside the 'guiding hand' of government. Most influential in Britain, but also tied to the Clinton administration in America, as well as governments in Australia and Canada, the Third Way emerged in reaction to the New Right policies of deregulation, privatisation, and fiscal conservatism, in an attempt to incorporate these now-dominant neoliberal economic strategies with the goals of social justice. Giddens (1998) refers to the Third Way as a 'renewal of social democracy', in response to the pluralism generated by globalisation and individualism which has undermined the 'old-style' social democratic goals of solidarity and equality. This centrist revival is broadly concerned with equality of opportunity, and combating exclusion from 'the mainstream of opportunities society has to offer' (Giddens, 1998: 102-3; 2000: 86-9). The kind of 'equality of opportunity' which informs the Third Way, however, is the limited, formal variety which does not significantly differ from that to which Friedman subscribes. The primarily rationale for the voucher-like 'quasi-markets' advocated by prominent Third Way economist Julian Le Grand (2007: 41) mirrors that offered by Friedman, based on the equalisation of differential purchasing power to choose between providers. Like Friedman, Le

Grand (2007: 37) prioritises quality, efficiency and choice as policy goals. The satisfaction of equality goals for the Third Way demands only the creation of ‘non-preferential access’ to services, amounting to limited, formal equality, or equality of treatment. To their credit, Third Way scholars have a deeper conception of the idea of freedom, in terms of personal autonomy and ‘freedom to achieve’ (Giddens, 2000: 88), than that provided by Friedman’s negative liberty perspective. However, the Third Way makes little attempt to depart from the inadequate normative framework of formal equality and the limiting axioms of neoclassical economics. As in neoclassical theory, the welfare state is depicted as a ‘pooling of risk’, investing in human capital and self-help policies (Giddens, 1998: 110-6), which are seen to minimise the opportunity cost of welfare provision by way of Pareto improvements (Le Grand, 2007: 9). By placing emphasis on instrumentalist choice and personal responsibility, the Third Way accepts the neoliberal arrangements of a meritocracy, which, as even Giddens (1998: 101-6) himself observes, likely lead to increasing income disparity and greater inequality.

Table 4.1 Le Grand’s voucher proposal

Student eligibility	All elementary and secondary school students
School eligibility	All schools in compliance with regulations
Regulation of private schools	Safety standards and inspections, common curriculum, standardised testing
Negotiation of teacher remuneration	Individual negotiation at the school level
Can schools charge additional fees?	Yes
Admission zones?	No
Can schools deny admission?	Yes
Transport costs included?	Yes
How is information provided to parents?	Public dissemination and guidance available to parents.
Voucher value	Graded, with higher value for residents of poorer areas (post code classification)

Third Way policy proposals also extend neoliberalising processes by privileging market-oriented logics which prioritise the value of profitability over and above broader social goals such as equality. This tendency is clearly demonstrated in Le Grand’s (1989; 2007) depiction of a ‘left-wing voucher education scheme’, designed with the stated goal of creating equality of opportunity, but severely limited by its commitment to free terms of production. In fairness, Le Grand (1989: 200; 2007: 80-4) recognises the need for governments to subsidise the search costs of information collection, as well as transportation costs, especially to poorer families, of moving children to distant schools [see table 4.1]. He accepts a level of state regulation of curricular content and school testing which would facilitate the process of information collection and dissemination. However, Le Grand’s preoccupation with the freedom of enterprise leads him to dismiss the prospect of fee regulation, which would prevent ‘topping-up’ by wealthy families, as well as restrictions upon the ability of schools to select particular students and in effect ‘cream skim’ the most desirable (Le Grand, 2007: 146-8). Le Grand

(2007:147) views restrictions on fees and admissions as ‘demoralising’ to schools, suggesting that rather than promoting substantive equality they simply encourage evasion of the regulations by schools. He also supports the freedom of schools to negotiate staffing contracts and allocate budgets (Le Grand, 2007: 29); a process which has contributed to growing differences in teaching standards, for example, as was noted in the previous chapter in the case of Sweden (Bjorklund, et al, 2005: 173-4).

Le Grand (2007: 148) promotes a system designed to ‘incentivise’ schools to select low-income students, through a graded or ‘positively discriminating voucher’, with higher subsidies allocated to students living in low-income postcodes. He asserts that cream-skimming in favour of better-off students will be ‘reduced or eliminated’ under this system of incentives, as schools will select either predominantly low-income students, or a mix of students, in order to garner higher levels of funding. Le Grand, however, ignores the dynamic instilled by the deregulation of fees, by which schools are able to charge high levels of additional fees above the value of the voucher to well-off students, effectively locking out low-income earners. Given that, under Le Grand’s scheme, schools are also allowed to select students at will, the result would likely be a highly divided system with similar, if not worsened, levels of segregation and achievement differentials than exist in current systems of mixed public and private finance and provision. Moreover, his system of voucher grading based on post code classification is contradictory, and poorly justified. Le Grand (2007: 148-9) opposes additional funding to schools in remote areas on grounds of geographic disadvantage, as he insists that the location of schools does not reflect the socio-economic background of their students. If this justification is to be taken as reasonable, classifying family income based on residence in a predominantly poor area would seem equally short-sighted. Le Grand (2007: 149) opposes means-testing to determine voucher allocation, as he views the bureaucratic processes around means-testing as ineffective and inefficient. Regardless of the potential flaws in the processes, most liberal welfare states have pre-existing systems of means-testing for other forms of welfare benefit, and Le Grand’s diagnosis of inefficiency disregards the possibility of incorporating voucher allocation into these existing, albeit imperfect processes. Le Grand’s efficiency-driven approach, which is shaped primarily by a commitment to free terms of production, does not present a realistic policy for social democratic education voucher reform, but rather a continuation of neoliberal ideals. Marxian theorist Alex Callinicos (2001: 121) asserts, in his fierce critique of both the ideological underpinnings and policy regimes of the Third Way, that, ‘far from breaking with the neoliberal policies of the New Right, [the Third Way] has continued and, in certain ways, radicalised them.’ Third Way perspectives extend and legitimate neoliberalisation, and far from a ‘renewal’ of social democracy, they rather regrettably neglect the movement’s fundamental equity goals.

Social democratic reformist vouchers

This section presents a voucher scheme proposal [see table 4.2], designed according to the social democratic goals of substantive equality of opportunity, and social integration, that may help to reverse the effects of neoliberalisation in unequal nations such as the United States of

America. Social democratic reformist vouchers should repeal the state's extension of market-oriented logics in education, by prioritising equality goals over profitability and freedom of production. They should combat growing inequality, and disadvantage concentrated in the non-owning classes and ethnic minorities, by empowering these groups with genuine freedom and choice, and lifting them with higher level benefits. Moreover, they should act to challenge the neoliberal ideologies which obscure this systemic inequality and un-freedom which pervades the neoliberalised world. In America, between 1979 and 2005, the top 0.1% of households enjoyed over 20% of after-tax income gains, while only 13.5% increase was shared amongst the bottom 60% of households (Hacker & Pierson, 2010: 8). In Australia by the mid-2000s, the top quintile of households earned an average of more than four times as much as those in the bottom quintile, and the top 50% of households held over 90% of household wealth (Stilwell & Jordan, 2007: 4-5). The proposal outlined below is by no means a panacea. The social problems which have emerged and intensified in neoliberal capitalist nations must be addressed through multiple, complex policy regimes. Vouchers of this nature are presented simply as one strategic tool, in education, through which states might pursue a more equitable set of policy outcomes, which pragmatically deals with the path dependent features and vested interests of existing systems in nations such as the United States. This section will proceed by describing the key components of possible social democratic reformist vouchers, with specific reference to issues of universalism, and equity and integration.

Table 4.2 Proposal for social democratic reformist education vouchers

Student eligibility	Universal; all elementary and secondary school students
School eligibility	All schools, public and private, in compliance with regulations
Regulation of private schools	Safety standards and inspections, common curriculum, teacher accreditation and salaries, fee regulation
Negotiation of teacher remuneration	National/State wage scales.
Can schools charge additional fees?	No
Admission zones?	No
Can schools deny admission?	No, admission by lot for oversubscription (potentially subject to entrance tests for academically or otherwise selective schools in systems which condone them)
Transport costs included?	Yes
How is information provided to parents?	Performance assessment by government, as well by a school-based body of teachers and parents. Public dissemination and guidance available to parents.
Voucher value	Graded according to socio-economic background and special needs (means-tested); probably higher than current per-pupil spending on education

Universalism

Universal vouchers are superior to those restricted to low income students, as they both reduce the stigma associated with voucher use, and offer a more egalitarian policy structure which is also likely to attract wider political support. They address the concern of parents whose children are currently enrolled in privately-funded schooling, of 'paying twice' for education, through both taxation and private tuition (Friedman, 1955; Jencks, 1966; Chubb & Moe 1990). Universal vouchers also allow policy-makers to influence (and force them to consider) the whole structure of the education system, including both public and private providers, rather than falling into the trap, characteristic of American voucher schemes, of simply plucking disadvantaged students out of an apparently-failing public system. For these reasons, reformist voucher should be characterised by universal student eligibility [see table 4.2]. There are, however, design challenges which emerge from universal vouchers. Parents whose tastes call for more elitist institutions, and schools who seek to provide such, are likely to work within a universal system to create these conditions. Fee deregulation and unlimited 'topping-up' of vouchers, as featured in most of the American voucher schemes presented in the previous chapter, allows schools to increase tuition above the level of the voucher, restricting entry to the well off. In order to prevent this practise, universal vouchers should go hand in hand with regulation of fees, so that no school can charge for admission above the value of the standard voucher. Wolf (2012) has noted the importance of stricter regulation of fees and admissions for maintaining equity in the expanding Milwaukee scheme, as it approaches a more universal system.

Of course, where regulations restrict fee charges, it is possible that schools will 'opt out' of the voucher system, accepting no public funds but charging expensive fees to wealthy students. The benefits of opting out are reduced the higher the value of the standard level voucher, but it is likely that a small percentage of parents and educators will pursue this option. The possibility of outlawing opting-out, that is, applying voucher funding to all schools in the system to the exclusion of privately-financed education, may represent a more egalitarian option, but would likely struggle to be implemented given the influential vested interests of, for example, private school lobbies. Like in the Netherlands, it may be desirable to allow small fee charges for additional school facilities such as swimming pools and sports grounds, which would make a fee-restricted voucher scheme more attractive to existing high-fee private schools whose current per-pupil expenditure could not be feasibly matched by a government-funded voucher. Moreover, if the standards within the voucher system were lifted, there would be less leakage from the system, in that only a small minority of parents and schools would likely opt out to attend elitist institutions. Baldwin (1990: 30) asserts that the historical success of social policy in the Scandinavian welfare states was their provision of services, to the standard expected by the wealthy and middle classes, to all. This kind of strategic approach both appeases vested interests, and fosters what Baldwin (1990: 35) refers to as 'social solidarity', wherein 'all must potentially be affected both as recipients and givers', reflecting an essential universalist component of solidaristic welfare. Overall, a voucher scheme which regulated fees for those

schools which accepted voucher funding, but allowed opting out for the small minority, would still decrease inequality in existing systems of liberal welfare states like America and Australia.

A further challenge arises from the question of potentially desirable elitism, in the context of academically selective schools which, for example, prepare students for tertiary admission. In the Netherlands, the segregation of students *within* schools into ‘tracks’ to some extent prevents the demand for elite schools, as students are already divided according to ability. In a school system that doesn’t have academic tracks, the likelihood of elitist schools emerging is higher, which enhances the need for preventative regulation. Whether selectivity on merit is desirable in a school system is a much larger question beyond the scope of this paper, but it is relevant to say that any system which does select on ability should be prevented from also selecting on the basis of income, and that socio-economic integration should remain a primary goal of the system overall, given the advantages of integration described in the previous chapter, in breaking down discriminatory tastes.

Equity and Integration

This paper has previously defended the pursuit of substantive equality of opportunity, as opposed to the limited, formal variety supported by Friedman and pursued by a number of existing American voucher schemes. A social democratic reformist voucher scheme would reflect substantive equality goals by grading voucher value according to socio-economic disadvantage, disability or special needs [see table 4.2]. As was discussed in the previous chapter, universal graded vouchers such as those in the Netherlands encourage greater socio-economic integration, and provide an equalising boost to low income students by counter-acting the cash-equivalency of the standard vouchers provided to families with higher incomes. The previous chapter also elaborated the importance of government responsibility for transport costs, and the unbiased dissemination of school information to parents. These features are reflected in the proposal in table 4.2. The reformist voucher scheme would emulate the Dutch system of central school evaluation, but privilege also independent assessment of schools by teachers and parents in the information disseminated, in order to provide a balanced view. Support services, as suggested by the OECD (2012a), would be available to assist students and parents in making school choice decisions. It is essential to reiterate here that, while such ancillary services increase the cost of the education voucher system, they are essential for the operation of free choice, they contribute to the ability of parents and students to select schools which best reflect their personal tastes, and are more likely to provide greater educational attainment, contributing to overall efficiency. The previous chapter showed that such services in the Cleveland and Netherlands schemes also increased socio-economic integration in schools. The abolition of residential zoning requirements for admission would also aid in integration. The key equity components of these reformist vouchers do not simply provide non-preferential access to students to enter the school of their choice. Rather, they actively equalise pre-existing socio-economic disadvantage so that the uptake of school choice opportunities is more even, and students are more integrated within schools, with a view to breaking down discriminatory and hierarchical tastes, and increasing the egalitarianism of outcomes.

Schooling policy alternatives and vested interests

The proposal presented above reflects the prospect revealed in chapter 3, that particular systems of state regulation around voucher schemes can produce more equitable outcomes than others. The purpose of designing a social democratic reformist voucher scheme is to achieve the best, and most egalitarian, outcomes from an education system divided between public and private provision. Given that the scheme described is likely to cost more per child than current rates of per-pupil expenditure, from a social democratic perspective the most reasonable counterproposition would be to simply channel the additional funds directly into public schools, to attract more students and out-compete the private sector, similar to the state of affairs in Sweden before the decentralisation and marketisation of provision in 1992. However, this paper takes the view that such a policy, while feasible in Sweden, runs blind to the path dependent development of the American welfare state, and that of other liberal democratic nations such as Australia, and ignores the vested interests, of parents, educators, and private providers, which represent a significant blockade to policies that fundamentally challenge the structure of the system. This proposal therefore reflects a strategic approach to achieving more egalitarian outcomes in the education systems of societies such as the USA and Australia, in which neoliberalism has been significantly entrenched, and the prospects for more traditional social democratic reform appear narrow. The approach does not represent a compromise on goals, as perhaps we might view Le Grand's voucher system, but rather a compromise in the techniques or tools of reform. This section will elaborate this view, considering the influence of vested interests and policy drift in American politics, and the utility of social democratic reformist vouchers to address calls for choice while pursuing equity, above and beyond the utility of publicly-funded school policy options.

The mechanism of policy drift and the resistance of vested interests have been identified as two of the key components of path dependency in the American liberal welfare state, contributing to the extension of its 'residual' nature, as the state responds less adequately to the emergence of new social risks and social problems (Pierson, 1994; Hacker, 2004). Policies 'drift' when dominant interests in the economy, usually business, property owners, and supporters of the extension of market logics, create "changes in the operation or effect of policies that occur without significant changes in those policies' structure" by resisting substantive adaptations to address new social risks (Hacker, 2004: 246). Such processes make it more difficult to enact significant change in the pursuit of social democratic aims, because the further we move along a particular 'path' or direction of policy, the greater the 'positive feedback' or increasing returns are to staying on that path (Pierson, 2000). This dynamic, historically-informed view of economic change provides insight into how neoliberal ideologies have become so entrenched in nations such as America. The welfare state has clearly developed in path dependent ways, as policy-makers have created long-term institutions which are resistant to fundamental change (Pierson, 1994: 17).

The introduction of vouchers in the USA from the 1990s represents a kind of policy drift where new policies are 'layered' on top of old; skeletal voucher schemes atop a pre-existing education

system, already fraught with inequality and differential outcomes. Unlike in the Netherlands, where the character of regulation around voucher schemes has adapted over time to address the emergence of new social risks and social problems, vouchers in America have followed the established residual approach. Vouchers were strongly resisted by a clearly identifiable group of teachers and other actors working within and supporting the public education sector (Levin, 2002). Since their introduction in various states, the opposing interests of for-profit educational providers and their customers have been joined by a growing number of voucher-funded families who have, as noted in the previous chapter, been overwhelmingly satisfied with the schemes (Greene et al, 1996; Witte, 1998; Peterson et al, 1999; Levin, 2002; Wolf et al, 2009; Wolf, 2012). In order to address the systemic inequalities which have emerged, it is necessary to confront these vested interests with policy proposals which satisfy the demands for choice from parents and students, remain palatable to private providers, and satisfy the concerns of teacher unions for salary justice, so that salaries are not contingent on market forces [see table 4.2]. Simply out-competing the private sector by channelling extra funds into public schools is unrealistic in America and similar nations such as Australia, where private providers enjoy significant parental, business, and by extension political support, which resists systemic change. For example, following the recent announcement in the state of NSW of education finance freezes, which translate to real spending cuts in both the public and private sectors, the government sector has outlined a plan to cut at least 600 jobs from teaching and administrative staff (Patty, 2012). Conversely, private sector vested interests have resisted the change, with representatives from the Catholic and independent sectors meeting with Federal politicians in order to negotiate separate Federal funding to offset the State cuts (Taylor, 2012). The ability of such private vested interests to block policy change strengthens the need to appease these actors in the design of pragmatic policy alternatives,

Some theorists have advanced publicly-provided policy alternatives, to address calls for choice from parents and students. Such alternatives, described as 'public choice' policies, while legitimate in theory, do not adequately address the vested interests within residual liberal welfare states. Levin (2002) has argued that education vouchers, in theory, do not necessarily provide more choice or more equitable outcomes than a system of public choice which differentiates state schooling into institutions of different primary focus; for example, for gifted students, performing arts, or technology. Critics of 'public choice' policies, often supporters of more market-oriented voucher schemes, argue that such systems remain limited by the inability of governments to perceive the specific tastes of consumers, and would result in the disequilibrium of school supply (Hill & Guinn, 2002). Chubb (2002) argues that schools will be resistant to demand-driven change because once the preferable school choices are full to capacity, students will be forced to enrol in 'leftover' schools and send the wrong kinds of messages to government providers. This logic, clearly indicative of neoclassical axiomatic ways of thinking, denies the potential for citizens and governments to engage in reasoned discussion. A process of consultation between governments, schools, students, parents and teachers could ensure that public choice reflects the interests of parents and students. This process could be expensive, and potentially less responsive to changes in student and parental preferences than a

voucher scheme. However, in societies where individual values are relatively more homogenous, such as Sweden, it may be a preferable method of offering choice with egalitarianism. As noted in chapter 3, the majority of students living in non-remote areas of Sweden with more than one school make some kind of active choice, enrolling in schools other than their local. However, choice occurs to a much lesser extent than in the Netherlands, and more often than not Swedish students choose to attend public schools. Valkama Bailey & Elliot (2010) argue that vouchers improve social welfare more significantly where the population has more diverse tastes. In the Netherlands and the USA, private education, and especially religious education, has historically played more of a role than in Sweden. Moreover, direct provision of public choice may not be as redistributive as a universal voucher scheme which offers higher value vouchers to disadvantaged students, so public choice would be more effective in societies like Sweden which already have high levels of after-tax equality [see table 3.5 in the previous chapter]. Neoliberalism remains less entrenched in Sweden compared with the United States, so the potential for publicly-provided choice is greater. In nations such as the United States and Australia, however, the prospects for reform which works outside the existing structure of provision divided between the public and private sector seem negligible.

Conclusion

The social democratic reformist vouchers described in this chapter are presented as a strategic policy, designed to satisfy calls for school choice and remain acceptable to influential private sector vested interests, while also pursuing more substantive equality of opportunity in schooling, toward more egalitarian educational outcomes. The policy delivered in table 4.2 would clearly require a coalition of interests for implementation. However, its consideration of the practicality of pre-existing vested interests and the historical development liberal democratic welfare states makes the vouchers in question more viable as a solution to the systemic inequalities of the existing school system than publicly-provided choice options which may be more relevant in already more equal nations. Given that this paper has already demonstrated that all voucher schemes represent an approach of publicly-directed consumption, wherein the state is more heavily involved in the regulation and oversight of schooling than is often depicted, this proposal for social democratic reformist vouchers seems a workable solution to be potentially applied in nations such as America, Australia, and other liberal democratic welfare states characterised by both public and private provision.

Conclusion

This thesis set out to recast education vouchers as a potential tool for social democratic reform, guided by the pursuit of substantive equality of opportunity and positive freedom, toward more egalitarian educational outcomes. This task was undertaken by considering the ways in which voucher schemes are perceived to operate, and the logics which inform them, in theory, as well as their actual operation, and different design features and outcomes, in practice.

The first chapter contextualised the existing literature on education vouchers, advancing the more marginal conception of education vouchers as a form of publicly-directed consumption, in opposition to their dominant depiction as the retreat of the state from its welfare role. It also suggested that the state's ongoing direction of education under existing voucher schemes could be best understood by viewing vouchers as a policy instrument of 'actually existing neoliberalism', wherein the extension of market logics is supported by a significant role for the state in the creation of markets, and also their re-regulation and oversight.

The second chapter focussed on the theoretical underpinnings of neoliberal voucher schemes, significantly influenced by Milton Friedman's depiction of vouchers. It revealed the logical inconsistencies in Friedmanite vouchers, and also their practical limitations. More broadly, the neoclassical approach to welfare economics, which informs neoliberal policy, was challenged in favour of the historical institutional perspective. The equality-efficiency trade-off, and the analytical separation of the state, market, and society, were rejected in favour of a more pragmatic approach to policy-making which recognises the embedded nature of the economy in both formal and informal social institutions, and the co-constitutive nature of institutions and individual values and behaviours, focussing on the more specific trade-offs which are relevant to policy design.

The third chapter applied this historical institutional methodology in a comparative analysis of voucher schemes in the United States of America, Sweden, and the Netherlands. It showed that despite Friedman's influential philosophical contribution to vouchers, few schemes closely resemble his policy prescriptions, and that those which are informed by the Friedmanite philosophy of equality of opportunity actually fail to provide enhanced equality or freedom, and tend to exacerbate existing socio-economic inequalities. These kinds of vouchers are constituent of the neoliberalising processes which have, in the last thirty years, transformed the role of the state to support the extension of market logics. Chapter 3 also illustrated the heterogeneous nature of voucher schemes, in both design and outcomes, dependent upon the character of state regulation. It clearly demonstrated the utility of the frame of 'publicly-directed consumption' by highlighting the ways in which regulation and oversight have shaped different voucher policies, and revealed the prospect for particular kinds of voucher schemes, which actively target and redress inequalities, to reverse rather than reinforce neoliberalising processes.

The final chapter developed the insights from the preceding inquiry into vouchers in theory and practice, presenting a proposal for social democratic reformist vouchers informed by the pursuit

of positive liberty, social solidarity, and more substantive equality. This policy framework inverts the normative justification that has informed Friedmanite and neoliberal voucher schemes, recasting vouchers as policy tools to potentially work toward more egalitarian educational outcomes in unequal and highly neoliberalised nations such as the United States and Australia. The voucher proposal presented was justified as a pragmatic approach to policy design in nations where the path dependent development of the residual liberal welfare state calls for strategic policies which address the vested interests that resist significant structural change.

The evidence and analysis provided in this thesis has by no means been exhaustive. Further research to inform a co-ordinated effort toward addressing inequality in educational opportunities is recommended. Undoubtedly, however, this paper has revealed that education vouchers can not be understood simply, and solely, as an instrument of neoliberalisation. The processes which have shaped the marketisation of education, and the problems which have emerged, have clearly been defined by the character of the state's ongoing direction of both publicly- and privately-provided schooling. This opens up scope, in the limited range of liberal contexts described, for the strategic direction of mixed public and private provision toward the pursuit of social democratic goals. Education vouchers are worthy of further interrogation as a strategic policy tool, for reversing rather than reinforcing the effects of neoliberalism.

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