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Market Forces and Market Failure in Antebellum American Education

A Commentary

The international rise of mass education over the past few centuries is often seen by historians as due to the increasingly long arm of the state (see, e.g., Lindert 2004). On this view, the early rise and high level of mass education in the United States in contrast with its colonial ruler Great Britain reflects the ability of Americans to mobilize local and state government support for public education from the earliest days of the Republic. Indeed, institutions dating to the colonial era could have been at work. The articles in this special section are informed by the view that schools and the instructional services they offered during the antebellum period were subject to the choices of buyers and sellers of these services. The article by Kim Tolley provides a rich case study of this basic principle with her account of Mrs. Sambourne's foray into music teaching in early-nineteenth-century North Carolina.

However, it has also long been the case that many institutions offering instruction for children while responding to profit incentives have not been operated on a strictly for-profit basis. In addition to state and local governments, religious groups and private philanthropy have helped fund the provision of schooling. Yet such publicly supported schooling throughout the antebellum period in the United States continued to be funded in part by tuition payments as well and on those grounds continued to be responsive to parental demands. Thus the distinction between private and public schooling could be quite blurred. This point is carefully elaborated by Nancy Beadie's

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account of tuition funding in the antebellum upstate New York community of Lima. Both the common schools in Lima's school districts and a Methodist-affiliated academy received state funding, but both also relied on tuition payments for a substantial part of their funding.

Education as a service is not particularly distinctive in commonly entailing a mix of for-profit provision with government supervision. In the early twenty-first century, U.S. services offered for profit, ranging from haircuts to taxi rides to restaurant meals, are subject to local government licensing and regulation. Yet economists of all ideological stripes, from Milton Friedman and Adam Smith leftward, have generally recognized that education has distinctive features that imply that market provision may lead to lower levels of educational attainment in a population than would maximize societal welfare (Friedman 1962: chap. 6; Smith 1976 [1776]: 784–85). Economists more formally label this market failure (Bator 1958; Cowen 1988).

One commonly mentioned reason for failure in education markets is that, due to imperfections in capital markets, parents have difficulty in borrowing to finance their children's education. A second problem is that education has the nonexcludability and nonrivalry features of public goods. If the education of a child will lead him or her to be less prone to crime and more civic-minded, this benefits many besides the child and his or her parents. However, parents have no way of appropriating that benefit (the problem of nonexcludability), and yet this benefit to the future public at large does not diminish the benefits of schooling received by parents and children (the issue of nonrivalry). Parents and children alike ignore these public-good considerations in deciding how much education to obtain. A third difficulty arises from limits on how fully parents can specify or receive commitments ex ante as to the instructional quality their children will receive and how effectively they can monitor this ex post (Brown 1992). A further issue on the technical, production side is that provision of education may be subject to economies of scale. This would occur if the instructional effectiveness per child diminished in slower proportion than class size increased. This would allow the cost of the teacher to be spread over more students without a proportional fall in instructional effectiveness per child. In small communities, the number of students per teacher could be so low as to lead to prohibitively high costs of instruction per student.

Despite the clear presence of education markets documented by the articles in this special section, a number of the market-failure issues just mentioned probably have relevance for the antebellum United States. Low population density seems to have been a factor limiting schooling development in upstate New York and North Carolina. However, Beadie and Tolley point to ways this problem was ameliorated. Establishing a regional reputation enabled the Methodist academy in Lima to draw beyond the limited number of students residing in its immediate area to include boarding students from across the state and even from out of state. Indeed, Beadie suggests that its cosmopolitan student body was one of the advantages the academy offered to local students compared with local venture and common schools. In addition, teachers could obtain part-time income from a range of institutional sources and employments, as is evident in both Beadie's introductory survey and Tolley's description of Sambourne's experiences in early-nineteenth-century North Carolina.

How could parents monitor instructional quality before the advent of formal teacher certification? Tolley's article points to two possible avenues for establishing teacher credentials in antebellum North Carolina. First, academies required articles of incorporation and with these a governing board of trustees that presumably had responsibility for ascertaining the qualifications of teachers employed by academies. Second, teachers could establish their credentials in the private venture market in part by initial affiliation with incorporated academies; this seems to have been the Sambournes' experience in creating a clientele for music instruction. Academies, venture schools, and common schools in Lima, New York, competed for the same students, according to Beadie's study, and this implies that parents could judge for themselves the qualifications of venture school instructors, with the community prepared to accept their judgment.

Externalities and capital market constraints associated with schooling are hard to observe directly. But these considerations were probably implicit in why the state of New York established the common school fund in 1805 and why the New York State Board of Regents established the literature fund for subsidizing academies. The arguments and politics behind the establishment of this state government support provide routes for examining this issue further. Extensive rates of migration would imply that localities would not get the full external benefits from educating local youth. This could explain why the New York state government provided matching grants for local tax support for common schools. One longer-term issue is why fiscal federalism in school funding has never developed as far in the United States as in other developed countries.

Can the concept of education markets aid the construction of a narrative history of antebellum education? One source of insights stems from changes in relative demands for various types of instruction. This is exemplified in Tolley's article by the evidence of declining tuition differentials for music instruction relative to the classics and English subjects. Tolley argues that any ideological resistance to female instruction was easily overcome in response to price differences between male and female instruction. She notes that, while feminization may have initially occurred in niche markets, such as music instruction, the process may have readily spread more generally, as when Mrs. Sambourne was able to get her foot in the door with music instruction and then obtain quite general responsibility for superintending the female department in Raleigh Academy. Tolley therefore suggests that feminization of teaching, counter to usual views, was well under way in North Carolina prior to the Civil War. As Beadie documents for New York, state-level sources of funding could decrease as well as increase, throwing academies such as the Genesee Wesleyan Academy in Lima into a more competitive situation with local common schools.

One can see that at their core markets concern the use of prices to coordinate production and consumption activities. In the case of education, these prices may be direct, like tuition, or indirect, as when local housing prices reflect the quality of local public schools. Furthermore, while such free-market icons as Friedman and Smith acknowledge the likelihood of suboptimal market provision of popular instruction, they also argue forcefully for the importance of competition among instructional providers in order to ensure adequate incentives for efficient performance (see Friedman 1962: 91; Smith 1976 [1776]: 759, 785).

In both New York and North Carolina during the antebellum era, parents faced substantial tuition. One important subsequent development in American education was the provision of tuition-free schooling, using local taxes to fully fund schools. Did tuition in the antebellum period substantially limit the spread of schooling? Or did it cultivate a greater commitment on the part of parents to encourage their children's regular attendance, an argument sometimes made for charging nominal fees in Victorian England? Did the competition implied by the overlap that Beadie notes between students for various types of schools in Lima, and more generally the degree of competition in schooling markets throughout the United States that she notes in her introductory survey, cultivate efficiency and responsiveness to parental choice? These are some of the intriguing issues for further exploration that the concept of education markets points to in the hitherto underresearched field of antebellum American education.

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