

EdChoice Policy Toolkit

Uses: Traditional Vouchers or ESAs?

QUESTION

Which form of educational choice program is the most empowering for families?

ANSWER

ESAs are an improvement over traditional vouchers because they empower families with a significantly greater degree of freedom and flexibility to customize their child's education.

In his famous 1955 essay, "The Role of Government in Education," economist Milton Friedman argued that although there were strong arguments in favor of the government subsidizing education, it did not follow that the government should run the schools.¹ A democratic society requires an educated citizenry, but not all parents have the means to provide their children with a quality education, so there is a role for government to guarantee universal access to a quality education. However, direct government provision of education is not itself justified by this concern, and it can conflict with core values of our society, such as freedom and pluralism. Instead, Friedman argued, the government should provide every family with vouchers so that they would be free to choose their children's schools.

A voucher is like a coupon; its user redeems it in full in one place at one time. Parents who receive a voucher for their child's education can redeem it at the school of their choice. This arrangement provides families with significantly greater opportunities than merely assigning their child to a school based on the location of their home. Nevertheless, there is room for improvement. As Friedman later observed in a 2003 interview, "there's no reason to expect that the future market will have the shape or form that our present market has."² In the future, children might be educated differently from today. Formal education might not take place almost exclusively within school buildings or traditional classrooms. With such possibilities in mind, Friedman proposed granting families "partial vouchers": "Why not let them spend part of a voucher for math in one place and English or science somewhere else? [...] Why can't a student take some lessons at home, especially now, with the availability of the Internet?"

Like the partial vouchers Friedman envisioned, education savings accounts (ESAs) are a form of flexible spending account with multiple but restricted uses.³ In each of the six states that currently have an ESA program, eligible children can receive an ESA into which the state deposits a portion of the funds that it would otherwise have had spent on their behalf at a public district or charter school. The child's family can then use the ESA funds for private school tuition, online instruction, tutoring, textbooks, homeschool curricula, educational therapy and a variety of other educational goods and services. This provides families with a much greater ability to customize their child's education to meet his or her individual learning needs.

ESAs are also superior to vouchers because families can rollover unused ESA funds from year to year to save for future expenses, such as high school or even college. Whereas vouchers create a de facto price floor for private school tuition, ESAs do not create a price floor because account holders do not have to spend all their funds in one place, at one time. That creates an incentive for education providers to compete on price, making it more affordable, especially for lower-income families. Moreover, with the ability to spend their money in multiple places and save for later, ESA families have a much greater incentive to economize than with vouchers.

Moreover, if ESAs were widely adopted, the enhanced ability of families to customize combined with the greater incentive to economize would likely spur innovation. Markets foster innovation and improvement by giving businesses and entrepreneurs an incentive to try new ways of doing things. With ESAs, education providers will have greater freedom to find new and better ways of educating children. As families decide which of these new ways work best for their children, education providers have a strong incentive to scale up or imitate successful models and abandon less-successful models. In that way, informed by the choices of families, the entire system evolves.

Both vouchers and ESAs represent significant improvements over the status quo, but ESAs hold much greater potential to empower families and stimulate the kinds of innovation that our education system so desperately needs.

¹ Milton Friedman (1962/1982), *Capitalism and Freedom* (Chicago, IL: University of Chicago Press); earlier version (1955) in Robert A. Solo (Ed.), *Economics and the Public Interest*, pp. 123-144 (New Brunswick, NJ: Rutgers University Press). www.edchoice.org/who-we-are/our-founders/the-friedmans-on-school-choice/article/the-role-of-government-in-education/.

² Pearl Rock Kane "Choice & Freedom: Milton Friedman on education," *Education Next*, Winter 2003, Vol. 3, No. 1, www.educationnext.org/choicefreedom/.

³ EdChoice, "What Is an Education Savings Account?", www.edchoice.org/school-choice/types-of-school-choice/education-savings-account/.