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The Private/Public Distinction in Education

Abstract:

This paper explores the often messy distinction between “public” and “private,” as it is employed in public goods discussions. Education as a potential public good is particularly difficult to discuss, because there is little solid agreement on what “education” means. I employ Weber's concept of verstehen—the subjective understanding of individuals insofar as it has a causal impact on outcomes—to discuss two processes by which institutions in education change. Using a multiple embeddedness framework in the Weberian tradition, this paper juxtoposes institutional change with a breakdown of the public/private distinction.

Introduction

The public/private distinction is a prior in most policy discussions regarding public goods. Education is one such public good that has, over time, experienced a breakdown of this simplifying dichotomy. “Private” schools have existed alongside tax-supported “public” schools in the U.S. since the 17th century (Tyack 1974.) Just as government regulations and standards have encroached on private schools, certain “school choice” measures have encroached on the public education system.

In the US, education converged on what Tyack called the “One Best System.” This system has been actively challenged in the mainstream through “school choice” programs. School choice policies import the market mechanisms of choice and competition to the One Best System. How these policies are implemented is a public choice problem (solved by effective governance institutions), but how they are discovered is a knowledge problem (solved by decentralized market processes).

A recent development in school choice—Education Savings Accounts (ESAs)—is being implemented in several U.S. states, most notably in Arizona. ESAs operate like a debit account restricted to use at approved education service providers. ESAs aim to solve the public goods problem through government subsidy while maintaining the benefits of choice and competition. They subsidize education by giving funds directly to the consumers in order to raise effective demand to a market efficient level. ESAs go a step further than vouchers by allowing for divisibility and savings.

As described by Brown (1992), the uncertainty involved in the returns to education results in a demand for “comprehensive uniformity.” Students uncertain of their own future ability and of the future market value of different skills prefer a diversified portfolio of instruction to a specialized one. Thus, Brown argues, private schooling has no advantage over public schooling in terms of horizontal differentiation. However, technology that reduces transaction costs has made it possible for education consumers to diversify their own portfolio instead of having a school diversify for them. ESAs are a public program that, by importing divisibility and savings, allows consumers to reap the benefits of

technology already seen in the “private” sector.

The blurry line between public and private is corroded in two ways from two different directions. The first often occurs on the fringes of what is considered a part of the public good—in the case of education, this includes online coursework, tutoring, self-led instruction software, and other alternative instruction (all approved options in Arizona’s ESA legislation) (Friedman Foundation 2016). These are technological developments driven by market forces and witnessed by political actors (politicians, bureaucrats, voters, activists). Technology developed in the market to reduce the transaction costs of learning. Such technology unavoidably impacts a cultural understanding of education.

This cultural change puts economic pressure on political actors, leading to the second process by which the public/private dichotomy breaks down. This process is in the realm of public choice. Decisions involve centralized power and limited knowledge. Governance institutions and agent preferences determine what developments from the first process are imported to policy. When technology has reduced transaction costs to alter the public concept of education, ESAs become an opportunity for such political agents. As ESA policy expands, the cultural understanding of education expands as well.

Such change relies on activity from both the “public” side and the “private” side. Both processes rely on economic phenomena, economically relevant phenomena, and economically conditioned phenomena (Weber 1904). The complex interactions happening here are observable in the multiple embeddedness framework employed by Weber and explained by Boettke & Storr (2002). This paper aims to demonstrate the corrosion of the line between private and public, using ESAs as a case study. By employing Weber’s concept of verstehen (understanding), it will trace causality in a particular, complex spontaneous order—the role of education in society.

Structure

In this paper, I will first establish the multiple embeddedness framework as expressed by Boettke and Storr (2002.) I will then describe the particular public goods problem of education wherein the meaning of the word has cultural impact, directing political and economic institutions. Next, I will describe what an institutional analysis of education in a multiple embeddedness framework might look like in various U.S. contexts. Weber's concept of *verstehen* brings particular insight to the relevant functional mechanisms.

At this point, the paper will turn to the particular case of education savings accounts in Arizona. After describing their general function and their specific function in AZ, I will present Byron Brown's 1992 argument for public provision of education. Using the frameworks mentioned, I will describe how ESAs overcome what Brown calls the consumer demand for "comprehensive uniformity" to reap the benefits of market mechanisms. Once the economic analysis is complete, I will introduce potential impacts of agents' understandings—or *verstehen*—of "education" on the analysis.

Conclusions about the particular role education plays in Arizona are tabled for future research. Ultimately, the aim of the current paper is to emphasize the inseparability of anthropology, sociology, and political science from any economic analysis. The functional role played by shared social meanings, like the nebulous definition of "education," has real impact on economic phenomena. Economic analysis that recognizes these economically relevant and economically conditioned phenomena moves toward a more robust and cohesive social science.

Multiple Embeddedness

Elinor Ostrom's seminal work *Governing the Commons* (1990) was meant to direct economics away from a debate between "leviathan as the only way" and "privatization as the only way." She synthesized multiple research methods—including rational choice theory, game theory, and ethnographic fieldwork—to point toward "third way" solutions that are neither *public* nor *private.* In fact, "Institutions are rarely either private or public... Many successful CPR [common pool resource]

institutions are rich mixtures of 'private-like' and 'public-like' institutions defying classification in a sterile dichotomy" (Ostrom 1990 pp. 14) In contrast to the "tragic commons" perspective, Ostrom holds that "the capacity of individuals to extricate themselves from various types of dilemma situations *varies* from situation to situation" (Ibid.; emphasis original.)

This explicit recognition of a complex solution spectrum is a resultant characteristic of a multiple methods methodology. It is because Ostrom's research program actively integrated the tools of economics, political science, game theory, anthropology, and even engineering that it provided a robust picture of the problems studied. The multiple methods methodology offers perspective into economy, polity, and society, as well as the complex interactions across these spheres.

Cultural embeddedness is a methodological research program regarding the relationships between social, political, and economic institutions. This paper will deal with the framework as developed from Peter Boettke and Virgil Storr's reading of Weber (Boettke & Storr 2002.)

Mark Granovetter's key paper, "Economic Action and Social Structure: The Problem of Embeddedness" (1991), led the embeddedness literature to a more sophisticated conception of the individual in social science. Standard economics, he argues, begins with an "under-socialized" view of the individual, while standard sociology begins with an "over-socialized" view of the individual. Granovetter argues that standard economics treats individuals as calculative and atomistic, primarily concerned with their own utility functions in a catallactic space, and unaffected by political concerns or social relations. Standard sociology, according to Granovetter, has the reverse problem. The individual in sociology is "over-socialized," unconditionally bound to cultural customs, habits, and norms.

Granovetter uses words like "affected," "influenced," and "directed" to describe the individual's relationship to social structures; thus, social structures and relations are neither determined by nor irrelevant to individuals' decisions.

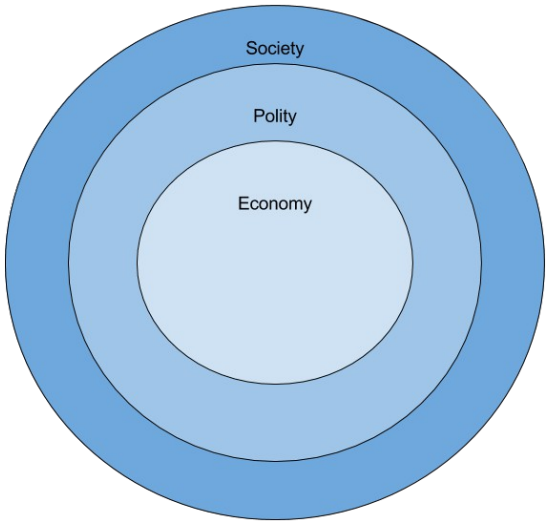

Figure 1: Single Embeddedness Type 1 (Granovetter)

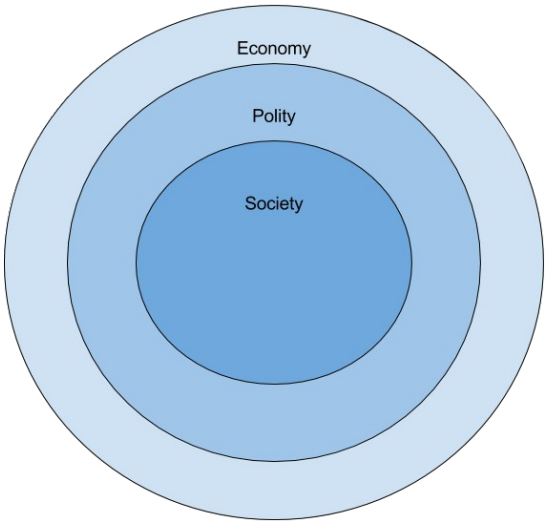

Figure 2: Single Embeddedness Type 2 (Marx, New Institutionalists)

Bottke and Storr (2002) point out that though Granovetter's criticisms echo the work of Weber and some Austrians, he does not refer to these scholars in his treatment. Weber, they claim, is key to understanding multiple embeddedness. Though Granovetter weaves a healthy path between over- and under-socialized conceptions of the individual, he "[does] not go far enough in recognizing the multiple levels of embeddedness" (Boettke & Storr 2002). Granovetter's work sets the construction of economic institutions within a context of social networks, and Boettke & Storr explain that he does not consider "how these social networks come to be established and what meaning individuals attach to them."

They illustrate Granovetter's view of embeddedness with three circles: economy is enclosed within polity, which is in turn enclosed in society (See Figure 1). Economic action, in Granovetter's framework, is embedded within "concrete ongoing social relations." The historical materialism of Karl Marx, who suggested that the economic structure would have a pervasive impact on the social structure, could be illustrated with an opposite configuration: society enclosed by polity enclosed by economy (See Figure 2). The New Institutional economists can be described with the same figure. In this research program, "Institutions are constructed, organizations are established and relationships are

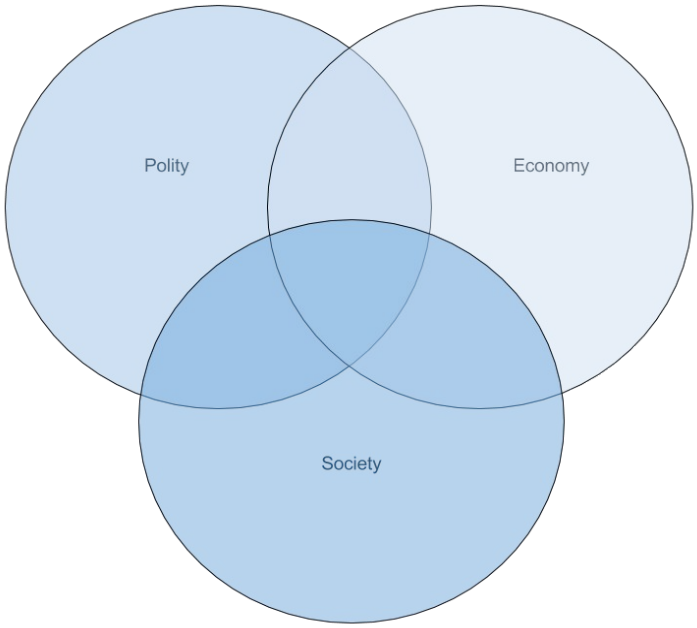

Figure 3: Multiple Embeddedness (Weber)

developed in an endogenous manner so that economic life can be more efficient. Society is shaped by economic considerations."

Rather than Granovetter's view (society > polity > economy), or Marx's view (economy > polity > society), Max Weber's analysis "suggests a *third way* of conceiving the relationship between the society, the economy and the polity." (Boettke & Storr 2002, emphasis added.) Weber understood his discipline as "an interpretive sociology." He was concerned with *verstehen,* translated "understanding." *Verstehen* refers to the subjective meaning that individuals attach to their actions. Importantly, Weber was concerned with the real, causal impact such subjective meaning has on individuals' actions. It is for this reason that a Weberian analysis must begin at the individual level—"it is only at the level of the individual that we can attribute meaning to purposeful action" (170). A methodological individualism informed by *verstehen* sets the individual within a "context of ongoing social meanings" (171). The individual is influenced, affected, and directed by surrounding social meanings, but she also influences, affects, and directs those social meanings herself.

Weber characterizes "social economics" as the study of *economic phenomena, economically*

relevant phenomena, and economically conditioned phenomena. These distinctions are principally concerned with the subjective social meanings given to them. For instance, he describes *economic phenomena* simply as phenomena "the economic aspects of which constitute their primary cultural significance for us" (Weber 1904). Non-economic phenomena with nonetheless economic consequences (such as Protestantism, to the extent that it affects the work ethic of Protestants) are called *economically relevant phenomena. Economically conditioned phenomena,* according to Boettke and Storr, is the distinction which separates Weber's multiple embeddedness from Granovetter's single embeddedness. The term describes "behavior in non-economic affairs [that] is partly influenced by economic phenomena" (Weber 1904). This is the kind of behavior discussed by New Institutionalists who posit the establishment of social-political institutions like property rights as responses to economic incentives. Likewise, the behavior of politicians studied by public choice scholars would fall into this category. Political actors push policies and make administrative decisions when E(MB)>E(MC). Politicians maximize electibility, and bureaucrats maximize budgets. They will use available means to achieve their ends within their particular constraints.

By recognizing both economically relevant phenomena and economically conditioned phenomena, an interpretive study (*verstehen*) raises society, polity, and economy to equal prominence. After recognizing this configuration, "discussing economy becomes nearly impossible without discussing social mores and political and legal institutions" (Boettke & Storr 170). This is the concept of multiple embeddedness advanced by Boettke and Storr, illustrated by three overlapping circles (See Figure 3). This is the "third way" suggested by Weber (Boettke & Storr).

Boettke and Storr's use of the phrase "third way" poetically evokes Ostrom's self-governance literature. Public, "leviathan" solutions to commons problems concern political constraints on economic structures. Meanwhile, private solutions operate in the opposite direction, where from economic incentives emerge social and political advantage. By employing the lenses of anthropology, political science, and economics, Ostrom cut a third way between private and public solutions to

commons problems. The multiple methods approach she took to the CPRs she studied revealed phenomena *economic, economically relevant, and economically conditioned.* It demonstrated the power of individuals familiar with their own circumstances (economic, political, and social) to generate solutions to their own problems. These frameworks—Weber's theoretical and Ostrom's practical—together account for the relationship between the disciplines of social science. Weber's "third way" perspective brings Ostrom's "third way" solutions into view.[1]

The Case of Education

Elinor Ostrom was dedicated to clarity of language in scholarship. With Sue Crawford, she wrote "A Grammar of Institutions" (1995) to lay out language for accurately discussing the ill-defined concept of institutions. While many goods fall subject to debate over their status as public goods, the meaning of education is more nebulous than the meaning of, say, a lighthouse. The definition of education has faced as much disagreement in philosophy as economics [cite?]. In economics, it has primarily been limited to tidy definitions hinging on the concepts of human capital and signaling. But as can be seen through a multiple methods approach, "education" as a concept represents different things to different groups of people, and might be defined in very different ways. Education is a nebulous concept that is nonetheless pervasively understood to be of the utmost importance.

In standard economics, definitions of education are stated only in terms of economic phenomena. For instance, the human capital perspective is "concerned with activities that influence real income through the imbedding of resources in people" (Becker 1994). There is meanwhile the contrasting but complementary signaling theory, wherein "education serves as a screening device, in

1 The phrase "third way" noted in this paper may not be technically accurate. In both cases, "third way" does not refer to a new way, but rather a whole spectrum of ways. Weber's third way opens up a framework for observing more possible interactions in multiple directions between society, polity, and economy. If the single embeddedness configurations are the first and second ways, then multiple embeddedness includes innumerable ways beyond the third. Ostrom's third way opens up a slew of possible institutional arrangements that might prove effective in a particular time and place. If private and public are the first and second ways to Ostrom, then her third way actually refers to innumerable potential solutions beyond the third.

that it sorts out individuals of differing abilities, thereby conveying information to the purchasers of labor" (Arrow 1973). Most economists' descriptions of education involve some mix of these two perspectives. True to Granovetter's description, this often leads to an under-socialized conception of the individual.

If we take *verstehen* seriously, then economists' definitions are not enough. Social understandings of education will have a real impact on resultant institutions. Specifically, the existance of *economically relevant* and *economically conditioned* phenomena makes the economic inseparable from the social and the political. An analysis of public goods problems will require a familiarity with shared understanding about the good. Particularly, the public goods problem of education will be more subject to social understandings of the good than the public goods problem of, say, lighthouses. This is due to the simple fact that there's much less confusion over what a lighthouse *is*.

Education can be described as a public good insofar as the benefits it yields are non-rivalrous and non-excludable. Clearly, there are private and excludable benefits from education—Mincer began a whole research program to determine the private increase in wages from schooling (1958). But education may yield positive externalities to a democratic, market society. A more educated populace may realize better governance, newer technology, and greater market efficiency, increasing wages and living conditions for the less educated. Because these positive externalities cannot be excluded from the general populace and payment for them cannot be procured, free market provision of education will be below the level that is market efficient (Bator 1958). Government employs several strategies to "subsidize" education and effect a socially efficient level of provision. Public provision at a zero price was for a long time the primary means to achieve this. Tax-supported "public schools" have competed alongside market-led "private schools" to provide schooling; each has received much criticism. Today, in addition to free education, various "school choice" policies are available. Each policy moves from one end of the public/private spectrum toward the other, and each in a different way. For instance, charter schools introduce the principle of competition to government-provided public schools.

Vouchers offer set redeemable tickets to defray or eliminate the cost of private schooling out of public funds. Education savings accounts—sometimes called partial vouchers—also introduce public funding to a private schooling market.

The structure of education provision will reflect the *verstehen* of those who structure it—directly and indirectly. The way they understand "education" affects education institutions and outcomes. In 1974, Ronald Coase aimed to dispel the unfounded perception of economists that the lighthouse is a true "public good" only government can provide. He provided numerous examples of effective private lighthouse operation that solved the problem of procuring payment. The immediate benefits of the lighthouse are easily identifiable, and the lighthouse itself is a solid, easily identifiable building. The problem of education is likewise often reduced to the role of the school building. But education is much more ephemeral, and a treatment similar to Coase's would be unconvincing. Coase described how private individuals developed solutions to a perceived public goods problem. To develop solutions to the perceived public goods problem of education, the analyst must become familiar with the ways in which various social groups understand the idea of education. The facts of social science are the beliefs and opinions of individuals (Storr 2012). Social solutions rely on these facts just as mechanical solutions rely on the facts of physics.

Since an essential component in the emergence of such solutions is the way agents understand what education is, it is proper to consider the variety of such understanding in a U.S. context. These understandings are both resultant and determinant of institutional outcomes across social, political, and economic spheres. They play a significant role in their communities that cannot be ignored.

David Tyack wrote *The One Best System* to describe the United States' pervasive convergence on a centralized, homogeneous public education system. This system was characterized by centralized authority (an elected school board led by a superintendent) and a corporate production model of instruction. "The thing which our system of supervision is strenuously trying to make the school into, is a factory, with the superintendents for overseers and the teachers for workmen" (Tyack 1974). Schools

were organized primarily by an elected school board led by a superintendent. To the orchestrators of the One Best System, education was a means to bring civilized notions to those living in rural areas of the country. “In the form of the one best system designed by professionals, the rural school would teach country children sound values and vocational skills; the result was to be a standardized, modernized 'community' in which leadership came from the professionals.” This paternalistic understanding of education might tend toward singular institutional arrangements like the One Best System.

Parallel to the development of the One Best System, racial tensions between Native Americans and the white leaders of the United States revealed a similar *understanding* of education: as a means to integrate those who do not conform to certain institutional expectations. General Pratt's infamous directive to “Kill the Indian, Save the Man” characterized the operations of his school, Carlisle, and of myriad schools for Native Americans modeled directly after Carlisle. He states that “The school at Carlisle is an attempt on the part of the government to... [plant] treason to the tribe and loyalty to the nation at large.” This practice of assimilation was primarily pursued through institutions of education. The Carlisle School attempted, through the “forced... association with English-speaking and civilized people,” to assimilate the Native Americans into an “enlightened” colonial culture. Pratt believed that such association similarly took “the black man... from the lowest savagery into intelligent manhood and freedom.” A modern academy would at least hesitate to describe this conception of education in terms of positive externalities.

Even a rigged system of education is advantageous on the margin from the point of view of the disadvantaged. Many poorer communities share an understanding of education as an opportunity to improve their socioeconomic status. *The One Best System* describes the enormous swell in black demand for education after Emacipation. Disenfranchised African Americans organized to build their own institutions of learning outside of the one best system, which systematically excluded them (Tyack 1974). In *The Beautiful Tree* (2010), Professor James Tooley documents the phenomenon of “private schools for the poor.” He speaks with education entrepreneurs in areas so remote and impoverished that

government education officials refuse to believe they could have developed “private schools.” These mired communities recognize the role of human capital in extracting themselves from their poor conditions. They understand education as an economic ladder. The private education institutions they developed reflected this interpretation of “education.”

So how do modern Americans—especially those directly influencing instutitions—understand education? Such understanding will vary widely with respect to communities. Today's state of education in the U.S. has been formed through a complex process neither top-down (public organization) nor bottom-up (private organization). It does not comprehensively reflect the *verstehen* of a planner, nor does it reflect all the varied *verstehen* of consumers. It can be understood in terms of either of these processes with systematic intrusions by the other. Education Savings Accounts, which will be discussed next, provide an example in which to observe a synthesis of these two integral processes.

Education Savings Accounts

School Choice policies, which have in the U.S. involved a fusion between “private” and “public” schooling institutions, recently include Education Savings Accounts (ESAs). They are already being used in Arizona and Florida, and they are being enacted in Nevada and Tennessee. While regular vouchers are provided in full toward tuition at an accredited private school, ESAs offer more versatility. Instead of getting an indivisible ticket, families get a debit card attached to a checking account (in Arizona, the account contains 90% of what the state spends on the average public school student) (“Education Debit Card” 2013). This debit card is restricted for use at a list of accredited education providers. Because of their divisibility, ESAs can reach beyond private school tuition, giving families more flexibility in education. In Arizona, the whitelisted services range from tuition, to private tutors, to language-learning software, to “equine therapy” for students with cerebral palsy (“Education Debit Card” 2013).

Further, ESAs “roll over” from year to year. Unused funds from one year will be available to put toward new expenditures in the next year. Milton Friedman made sure to distinguish between “education” and “schooling.” ESAs represent the culmination of his proposal for “partial vouchers,” and they effectively open up the institutional role of education beyond that of schooling.

The Friedman Foundation, which Rose and Milton Friemdan founded in 1996, examined the operation of ESAs in Arizona from 2011 to 2015. It found that 28 to 34% of accounts were used for education options besides private school tuition (“Education Debit Card II” 2016).

ESAs are clearly not entirely public nor entirely private. The policy integrates government subsidy solutions with principles of market competition. School choice advocates may describe the implementation of ESAs as “privatization” because they allow for private choice among an array of education alternatives. Private choice leads to a sort of private competition whereby a profit and loss incentive separates out those providers who do and do not create value. Such a system may appear similar to a free market, but ESAs are primarily made up of public funds. Because ESAs are supported by taxes, the private competition they facilitate is partially detached from the market process outside the education maket. Also, ESAs necessarily involve a contingency: they are only to be used on “education.” Thus, they require a solid determination of what counts as education; this determination falls in the public realm. The private competition ESAs can facilitate is limited by the extent of a bureaucrat's definition of “education.” Weber would describe the bureaucrat's deliberation as an *economically conditioned* phenomenon, to the extent that the bureaucrat expects his choice to impact his budget and influence. But the bureaucrat's final determination could be described as *economically relevant* insofar as it affects productivity in the market for education.

Though ESAs are primarily funded by taxes, some are funded through corporate donations and public matching. One could imagine a program where corporate donations fund ESAs entirely, moving the policy further toward the “private” end of the spectrum. Corporations might still have non-market tax incentives to contribute to the fund, in which case the policy would remain less than private. And if

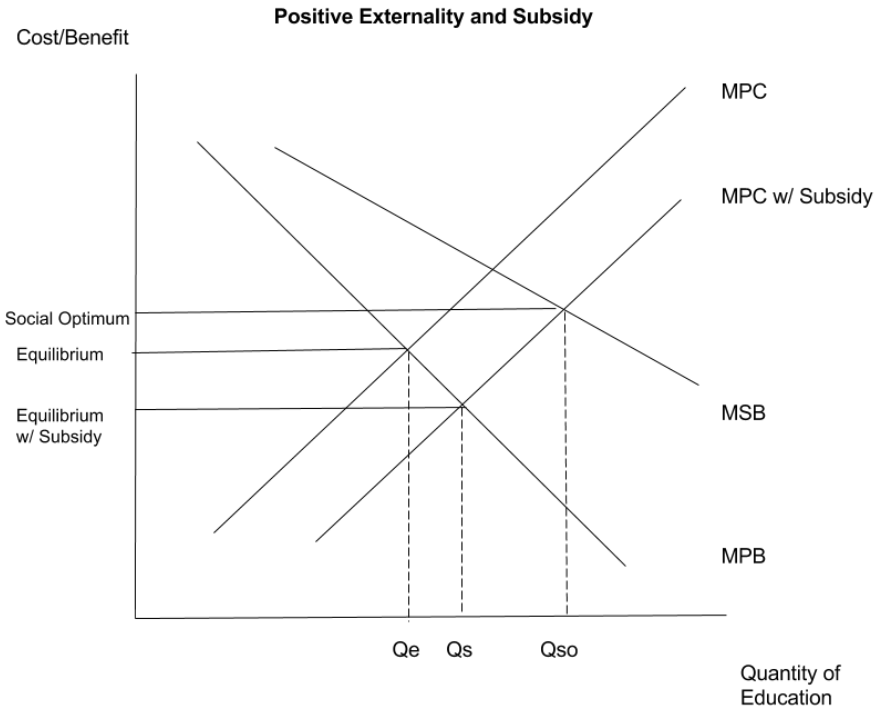

Figure 4: Subsidy

such incentives were entirely removed, ESAs would lose much of their efficacy.

As the standard public goods argument goes, insofar as education yields positive externalities, free market provision of education will be below the level that is market efficient. Figure 4 illustrates the general subsidy solution for dealing with public goods. The market equilibrates at the point where marginal private benefit equals marginal private cost. This results in a quantity of education equal to Q_e. Because goods like education have positive spillover effects, the social optimum is above this point, where the quantity of education is equal to Q_{so}. In the public solution framework, the government would enact a subsidy, lowering the marginal private cost and thus moving the equilibrium to a point closer to that of the social optimum, Q_s. This general subsidy model may come in many forms. The ESA legislation in states like Arizona is one of many strategies government uses to shift the demand curve for education outward and effect a socially efficient level of provision. Still, the most prevalent strategy is direct government provision of tax-supported "public" schools.

In his plainly named paper, "Why Government Runs Schools" (1992), Byron Brown defends

this setup. He explains that because parents and students face uncertainty about the future, they have a demand for "comprehensive uniformity"—that is, they want schools that do not specialize. Risk aversion leads them to move future resources from best-case scenario toward worst-case scenario, as in any insurance scheme. Thus, private schools responding to student preferences will offer a mix of instruction that does not overemphasize any one skill set. This is observable, he claims, in the way differentiation among private schools marginally increases as students get closer to the job market and uncertainty is reduced (Brown 1992). In practice, this looks similar to the curriculum offered in traditional public schools. Since horizontal product differentiation is a large driver in any argument for market provision, it appears *prima facie* that market-based systems like vouchers and ESAs will face a low cap on possible improvements from the status quo of public provision.

By contextualizing Brown's transaction cost analysis within an entrepreneurship theory of the market process[2], the transience of the state of affairs Brown describes becomes apparent. By moving into public choice theory with Weber's *verstehen* in mind, we recognize the emergence of ESAs as a solution. The development of such economically conditioned policy can be understood in terms of two processes. The first process concerns the entrepreneur in the market process, and the second process concerns public choice institutions.

The First Process: Solving the Knowledge Problem

The development of technology is a market-driven, *economically conditioned phenomenon.*[3] The engineering, ingenuity, or awareness that generates technology is not itself economic, but it is certainly influenced by economic forces. The resultant technology—for instance the automobile—

2 See Israel Kirzner, *Competition and Entrepreneurship* (1978)

3 Technology itself can be considered as *economically relevant, economically conditioned,* or in some cases simply *economic phenomena.* Political economy in a framework of multiple embeddedness is too complex to constrain such abstractions to one category. So I am careful to identify the extent to which phenomena match any one of Weber's three categories. Here, I refer explicitly to the *development* of technology, insofar as the emergence of new and more efficient combinations of resources is motivated by the economic incentive to profit from a "discovery." Incidentally, "insofar as" is an invaluable phrase in these discussions.

becomes *economically relevant* insofar as it impacts the level and kind of economic productivity that is possible. Israel Kirzner describes the market as a discovery process driven by entrepreneurial awareness (1978). Roger Koppl and others, in the same vein, borrow the term "adjacent possible" from theoretical biologist Stuart Kauffman:

> Certain things are possible and others not from a given space or state... At any moment, the econosphere's adjacent possible contains opportunities for profitable innovations as well as false opportunities that may tempt action. There are many such opportunities, only some of which will be acted on. Once that has happened, the attempted innovations—some successful and others not—will become what we call 'enabling constraints' that will change the system's adjacent possible, enabling a different set of profit opportunities. (Koppl et al 2014)

Entrepreneurial awareness leads to arbitrage. Then the system iterates, and the entrepreneur has generated a new adjacent possible. The authors provide the example of heavier-than-air flight, which was not a part of the adjacent possible just 150 years ago. By 1900, light and reliable internal combustion engines had developed. This was an enabling constraint which changed the system's adjacent possible. This adjacent possible held a different set of profit opportunities for the Wright Brothers, who siezed upon the possibility of heavier-than-air flight.

In the same way, the adjacent possible in education has evolved with technology—specifically communications technology. Brown, in 1992, offered an offhand caveat to his argument about comprehensive uniformity: "Only if a student could *costlessly* diversify by taking different amounts of his or her program in different specialty schools would the comprehensive school not have an advantage" (emphasis original.) For much of the 20th century, and even when Brown was writing, the costs of diversification were enormous. If a student was to be educated by different specialty schools, they would need to be bussed from building to building. In the years since Brown's article, technology has exponentially reduced the transaction costs of instruction. The internet, ubiquitous mobile devices, and other advances in the technology of communication have made various types of instruction easier to utilize and mix. Modern education includes, for instance, some level of online coursework, tutoring

via video conference, and portable instruction software.

By reducing transaction costs, the technologies mentioned raise effective demand for alternative education—methods understood by some, but not most or all people, to be "education." At lower cost, the methods become more visible and viable in a market context. They become less alternative, and more individuals and communities incorporate the methods into their understanding of education. This is the first process by which a social understanding of the public/private dichotomy breaks down. From the private side of education comes innovations and technologies that impact education as a whole—public and private.

The Second Process: Solving the Incentive Problem

These technologies put pressure on political actors by increasing the opportunity costs of excluding alternative education from policy. Politicians and bureaucrats introduce policy that to some extent reflects their constituents' understandings of education—depending on the unique incentives they face. Political actors are also participant-observers in the market. Politicians will draw on the results of the market to increase their electibility, and bureaucrats will draw on the results of the market to maximize their budgets. This process concerns the incentives studied in the field of public choice theory. As Boettke and Storr describe, political behavior falls into the category of *economically conditioned phenomena,* insofar as "politicians and public servants [are] motivated by a desire for power and votes, [and thus] engage in pork-barrel spending, log-rolling, and rent-seeking activities."

The discovery of technologies generates a new adjacent possible for the economically conditioned behavior of political actors. Consider the Digital Millennium Copyright Act (DMCA), which relied on the existance and prevalence of digital technology. Prior to some particular market innovations, the DMCA was not a political opportunity. Technology conceived in market entrepreneurship brings policies like ESAs into the adjacent possible of political action. ESA policy is an *economically conditioned phenomenon* insofar as it is effected by politicians' expected marginal

utility, relative to a current, percieved adjacent possible. Communications technology made alternative education methods like remote tutoring and mobile instruction software possible. Even the debit card, which was an emerging technology at the time Brown was writing, served to reduce the transaction costs of a policy like ESAs. But it still relied on political actors—and in turn their economic conditioning—to bring policy to reality.

In the 20th century, even school choice efforts toward "privatization"—charters, vouchers—limited education to schooling in the political imagination. ESA policy, though, by eroding the private/public distinction from both sides, broadens an understanding of education beyond that of schooling.

Conclusion

Public goods like education resist analysis due to lack of cohesion in subjective understandings of the concept. The facts of the social sciences are the subjectively held beliefs and opinions of individuals. The more various these facts, the less tenable an analysis. But in a multiple embeddednesss framework that takes *verstehen* seriously, the local, causal mechanisms can be identified, and solutions can be discovered. Solutions typically divided into "private" and "public" can be understood in more complex terms. *Verstehen* in regards to education is relevant to and conditioned by the discovery process of the market price system. The same *verstehen,* or "understanding," is similarly relevant to and conditioned by a public choice process. These two processes maneuver alongside one another, though at different paces.

The discovery process is market-driven, and its triumph is over the knowledge problem. The free market system, though, is critiqued for being subject to certain problems, such as the free rider problem of public goods. Solutions to public goods problems come from the public sector in various forms. This is the public choice process, which must ideally triumph over the incentive problem of governments, which dates back past Hobbes.

Recognizing multiple embeddedness requires an economic analysis that is not separated from anthropological and political analysis. Insofar as non-economic phenomena are nonetheless economically relevant and economically conditioned, they cannot be ignored. The processes described here provide only a general example of the path incentives would take in a modern American political context. The inescapable point of this paper is that economic analysis requires an intimacy with the particular circumstances of its subjects. Such intimacy is all the more important when dealing with institutions as pluralistic and ill-defined as education.

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