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THE INEFFICIENCY OF THE "CULT OF EFFICIENCY": IMPLICATIONS FOR PUBLIC SCHOOLING AND EDUCATION

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In its 8th Annual Values and Leadership Conference, held in October 2003, members of the Center for the Study of Leadership and Ethics revisited themes first articulated forty years ago by historian Raymond E. Callahan. In his now classic *Education and the Cult of Efficiency,* Callahan (1962) argued that U.S. public school administrators are "vulnerable" to interests and forces, both macro and micro, external to the schools they administer. In particular, Callahan documented how, under pressure from the then-booming business world and its advocates, school men in districts and universities in the early to mid 1900s took on the values (such as efficiency and productivity) and practices (such as bureaucratic and "scientific" management) of that business world as if their own. Callahan questioned the appropriateness of these business ways for the organization and administration of public schools, bemoaning the results as tragic in "that educational questions were subordinated to business considerations; that administrators were produced who were not, in any true sense, educators; that a scientific label was put on some very unscientific and dubious methods and practices; and that an anti-intellectual climate, already prevalent, was strengthened" (p. 246).

Countless scholars since Callahan have echoed his sentiments. What these critics have failed to question, however, is whether those values and practices were appropriate for commerce itself in the first place. This article suggests that the bureaucratic and so-called "scientific" management model, which U.S. public schools adopted from the business world,

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was neither the most efficient for nor wholly original to the world of commerce from whence it nevertheless came. Rather that business world operated and still operates in a sub-optimal way because of an inefficient imbalance at the core of the trade relations that constitute it. Part I of this essay draws on monetary theory to expose this bias in our economy. It then highlights efforts underway worldwide to supersede this inefficiency. Part II introduces the moral theory of Jane Jacobs (1992) to shed light, first, on plausible origins of this way of doing business and, second, on the organization of the public schools subject to it. Callahan's concern for a mismatch of values and practices between differently purposed organizations gains new meaning when enlightened by Jacobs' "systems of survival" theory and my application of it. Finally, in the concluding part, I consider how Jacobs' ideas can provide moral guidance for the reorganization of public education if and as we transition to a new way of doing business and thus a new way of "doing school" (Pope 2001).

The Inefficient Imbalance in Our Monetary System and Its Supersedure

Although what follows focuses on a defect in our monetary system, I must say at the outset that money is one of the most ingenious and constructive inventions of humankind. Tracing its evolution is not only interesting but very useful for helping us to understand the nature of our monetary system today (Chown 1994; Eckrich 1998, pp. 62-72). As we have come to know it so far, money serves mainly two functions: it is a store of value and a means of exchange, specifically our most universal or "liquid" means of exchange. Liquid means readily or easily flowing. For instance, if I am hungry it is much easier and less costly to exchange my money for food than it is to exchange my books, jewelry, car, house, or labor for food. So, money serves as a store of value and our most liquid means of exchange. However, money does not and cannot "store" value in a static way because money is a temporal and relational good. What our money in the bank or mutual fund can buy us tomorrow or next year or when we retire depends on the vitality of the economy of which we are part. Thus, it is more accurate to say that money functions as a claim to present or future purchasing power. To the extent that we can trust that there are and will be other transactors within our economic community who produce, store, transport, and market the real goods and services that we do or will need, "money bestows on its owner the option to have access to those goods" and alleviates the money owner's need to produce and store or locate and obtain them herself, thereby saving her these transaction costs (Suhr 1990, section 2.3.1). To the extent that such transactors turn out not to be there, however, that monetary claim becomes ineffectual and we must go without or begging for some or many of the real goods and services we need. In short, as defined by a Belgian finance expert, "money, or currency, is an agreement within a community to use something as a means of exchange" (Lietaer 2001, p. 41; 2003, p.10).

The root deficiency of money as it has evolved thus far is that it serves its traditional purposes in self-contradictory ways. This is due to the way it was institutionalized about 350 years ago, a point I explain when I talk about Jacobs. The problem is that money offers its liquidity services for free to all those who have money, while at the same time making those who lack money pay a premium to obtain those services. In other words, not only do money holders not have to pay for holding their surpluses, the holding of which ironically defies and fatally destroys that money's liquidity (in that it is not serving its innate purpose of lubricating manifold economic transactions), they can get paid a premium—what we call interest—for doing so. This interest-based monetary system is a double negative for those who lack money for productive or consumptive purposes and a double positive, in the short run at least, for those who have more than they can consume or use productively. From the macro or long term perspective, however, this bias or imbalance in our system is dehumanizing for *all* who are party to it (Freire 1970/2000) and counter-productive for the economy as a whole.

Such an economy is also ecologically unsustainable (Meadows, Randers, & Meadows 2004). This is because it both requires endless growth and, due to compounding (i.e., paying interest on accrued interest as well as on the principal), grows exponentially (in contrast to natural or linear growth patterns). While many factors other than interest play into economic expansion or recession, "(t)he rate of interest fixes the average level of growth that is needed to remain at the same place" (Lietaer 2001, p. 53). A conservative estimate of this average rate of necessary growth is 3% per annum, which (according to the formula $K_n = K \cdot q^n$ where K is the capital or gross national product, q is the interest factor, and n is the number of years) means that the economy must double itself every 23½ years merely to compensate the interest money bears. The reality, however, may be even starker, if the past 75 years are any indication, for the U.S. economy, as measured by GDP, has in fact doubled on average every 10¾ years since 1929 (U.S. Bureau of Economic Analysis 2003). "This explains why we are in trouble with our monetary system today. *Interest, in fact, acts like a cancer in our social structure*" (Kennedy 1995, p. 21, emphasis original). Superseding "these insufficiencies of traditional money would increase not only the economic efficiency of the free market system but also its fairness and its social justice" (Suhr 1990,

section 1.1). Fortunately, such social transformation is within our reach, both cognitively and politically.

The ideas for transforming our monetary system go back at least one hundred years to the writings of Silvio Gesell (1906/1958). Gesell's proposal to subject money to a "use fee" was attempted in Austria, Germany, and the U.S. during the 1930s depression (Fisher 1933; Suhr 1989, pp. 112-116). His ideas also had a significant even if partial influence on Keynes (1964), who was a major architect of post-1944 international monetary policy. These ideas, however, only started to germinate more widely in the 1980s and '90s, as the unsustainability of the course we are on has become increasingly clear to more and more people. Their germination is resulting in the creation of local and regional "complementary currencies" and in efforts to transition to a new "neutral" money system.

Complementary currencies range from corporate-based "frequent flyer miles" and other commercial loyalty accounts, to the social currencies such as "time dollars," "LETS," or "Hureai Kippu" (Japanese "caring relationship tickets") that more than 4000 communities around the world have already created for social purposes (Lietaer 2003, 2001; Kennedy 1995; Cahn & Rowe 1992; Cahn 2000; Greco 2001), to new regional currencies in Europe (Kennedy 2004; Komoch 2004). These currencies are intended to complement our dysfunctional monetary system by making it possible for community members to "match unmet needs with unused resources" (Lietaer 2003, p. 13). But they also "enable people to understand the functions and purposes of money better," which can pave the way for more systemic monetary change (Kennedy 1995, p. 111).

The basic idea at the core of a new money system is to replace interest with a circulation fee. "*Instead of paying interest to those who have more money than they need and in order to keep money in circulation, people should pay a small fee if they keep the money out of circulation*" (Kennedy 1995, p. 37, emphasis original). "The community or nation which issues 'new' money in order to help the exchange of goods and services charges a small 'parking' fee to the user who holds on to new money longer than he or she needs for exchange purposes. This change, simple as it may seem, resolves the many societal problems caused by interest and compound interest throughout history," including inflation and unemployment (ibid.). To avoid paying all or any of this fee, those with excess new money can transfer it into savings which, while not interest-bearing, would not depreciate. These savings can be loaned interest-free to those in need, who still pay whatever bank processing fees and risk premiums the loan market bears. Likewise, anyone who overdraws his new money checking account would also pay a fee, which he could avoid by either selling goods or arranging to borrow interest-free the money he needs. Such transparent banking teaches fiscal accountability, encouraging transactors to give up "their irresolution" and rewarding them "for their decisive behavior by being relieved of liquidity costs" (Suhr 1990, section 5.3.6). Banks too would have to pay their regional or central bank a fee for any positive or negative interest-free balance they have, fees they could avoid by either transferring those funds to or borrowing them from their reserve bank (Kennedy 1995, p. 103).

Although the details are beyond the scope of this essay, Suhr (1989, pp. 117-122; 1990, section 5.3) theorizes a legal, peaceful, bottom-up process by which we could transition to this new and what he calls "neutral" money network through our banking transactions. Kennedy (1995, pp. 97-104) describes it too, in less theoretical terms. She also points out that "before the money system could be reformed, a large section of the population must realize that we have to limit money to its functions as an exchange medium, as a scale for prices and as a constant standard of value" (p. 101). Both authors describe historical and present day precursors for this approach to money (Suhr 1989; Kennedy 1995, 2004), and Kennedy (1995) describes the kind of land and tax reform that could go hand-in-hand with this monetary transformation. She also spends over 30 pages explaining how the interests of the poor, the rich, religious and spiritual groups, business and industry, farmers, ecologists, artists, and women would all be well served by this monetary change. The question I return to in Part III is whether and, if so, how the interests of teachers, students, and all those concerned with public education might also be served. My path to an answer was paved through my work with Jane Jacobs' 1992 *Systems of Survival: A Dialogue on the Moral Foundations of Commerce and Politics* (Eckrich 1998). As I explain next, I believe Jacobs' text sheds moral light not only on the origins of our monetary system but also on the organization of the public schools subject to that system.

Schooling and Our Systems of Survival

Jacobs (1992) argues that virtually all human vocations and professions fall into one *or* the other of two ways by which we make our livings. The "trading" way of making a living involves the work of commerce—the production of goods and services for market. The "taking" way of making a living involves the guardian work of protecting, acquiring, controlling, exploiting, organizing, administering, and/or managing territories. Each way has evolved as a system characterized by a set of moral precepts which she calls a "moral syndrome" (pp. 23-24, 215). Jacobs argues that, while both systems are internally

consistent and necessary for any human community to thrive, they are also mutually contradictory. For instance, while traders *shun force*, guardians *shun trade*; while traders need to *be honest*, guardians may *deceive for the sake of the task*; and while traders *respect contracts, dissent for the sake of the task,* and *value novelty and invention*, guardians *respect hierarchy, remain loyal,* and *adhere to tradition*. Thus, the moral of Jacobs' story is that the viability of working life turns on our two ways of making a living co-existing symbiotically. She contends that "systemic moral corruption" and "monstrous moral hybrids" (pp. 131-157) result when we mix and match, or "mingle" as she says, the functions and/or moral precepts of our two systems of survival. In reaching this conclusion, Jacobs also makes sense of Plato's puzzling conception that justice "is to perform one's own task and not to meddle with that of others" (pp. 32, 153; see *Plato's Republic*, IV, 433-434).

Viewing economic history through the lens of Jacobs' moral theory, I believe that the fatal flaw in our existing monetary system is a result of syndrome mingling that occurred among some merchant bankers and guardian rulers as banking was first institutionalized in the mid 1600s (deRoover 1974; Chown 1994, pp. 129-137; Lietaer 2001, pp. 302-304). Instead of commercializing traders' access to the growing surplus of exchange value, these forefathers entitled freeholders of money to "take" from those in need of their freely held money and institutionalized this mode of taking at the expense of traders and the trading way of making a living. Instead of human needs and wants guiding our investment of our time and qualified effort in our generation and use of surplus goods, legally instituting owners' right to interest necessitated and still necessitates surplus production from the productive use of borrowed surplus goods so that the borrower can afford to pay interest on top of the principal. Without being countervailed by the real costs of holding money in the first place, interest is an inflationary add-on imposed on traders by guardians and by the now guardian-like traders who freely hold what we have come to call capital. These renegade traders bought into the taking way of making a living instead of eventually finding their way—or being led by fellow traders—back into their fold.

It is here that I come to the "cult of efficiency" popular among business and school men through much of the twentieth century. Looking again through the lens of our systems of survival, I suggest that "scientific management" was a euphemism for the mingling of guardian precepts—such as *respect hierarchy*, *be obedient and disciplined*, and *exert prowess*—with the trading way of making a living. Such syndrome mingling was necessitated by the prior syndrome mingling that brought about modern banking because without dominating the people who borrow from or work for them, owners of capital may not get away with taking from them, whether through usurpation or unbalanced exchange. In short, in order to ensure that they can more than replenish their capital, owners must dominate those from whom they take. Such relations of production distort trade because domination depends on guardian moral precepts and counteracts commercial ones.

It is for these reasons that I believe that the bureaucratic and so-called "scientific" management model, which constituted the "cult of efficiency" that early public schools adopted from the business world, is not commercial in origin but rather was adopted by traders in their attempt to survive as traders in a world of commerce corrupted by guardian takings (Haber 1964; Nelson 1975; Taylor 1911; & Kantor 1988, pp. 3-16). Doing so has been a deeply alienating process for ordinary traders who have had no choice but to subvert their trader identity and ways if they prefer to try to survive as "traders" who take rather than as traders who are taken from. With those as traders' only two options, who could blame them? While many educational practitioners, philosophers, sociologists, and historians deplored the adoption of these alleged business values and practices by educational administrators (Krug 1969, 1972; Bestor 1953/1985; Callahan 1962; Drost 1967; Tyack 1974; Tyack & Hansot 1982; Spring 1986; Kleibard 1986; Berliner & Biddle 1995), these critics failed to question whether those values and practices were appropriate for trade itself in the first place. I am suggesting that, by co-mingling guardian ways and precepts with commercial ones, capitalist trade constitutes a monstrous moral hybrid whose contradictions must continue to play out until their source in our monetary system is understood and overcome. To the extent that we can now realize that there are viable ways to complement and eventually supersede our existing monetary system, which we can through collective action bring about (Schumacher 2004), only then are we culpable as well as unreasonable for not doing so.

Thus, the moral of this essay is educational. As long as citizens allow our political guardians to continue to sell out to the owners of traders' means of production, there is no way we should expect *democratic* guardians to do otherwise. We might reasonably expect sagacious autocrats to do so; but autocracy is not a route we aspire to. The most viable way to supersede the parasitism that paralyzes our work life is for enough global citizens each to understand whether and, if so, why it makes sense, and how it is possible, to do so and then to work democratically and multilaterally to achieve it. Doing so will free traders and teachers alike from the "cult of efficiency" that we still labor under despite our best judgments to the contrary (Sizer 1984, 1996; Wilson &

Daviss 1994; Tyack & Cuban 1995; Meier 1995). Only then can our efforts to redesign public schools come to fruition. Whether those schools will be guardian or commercial in nature, or perhaps what Jacobs would call a moral anomaly, is among the questions I now consider.

The Conditions of the Possibility of Public Education

The preceding pages raised two related questions that I conclude by addressing: (1) Will this monetary transformation serve the interests of teachers, students, and all those concerned with public education? (2) Does Jacobs' systems of survival theory provide us with moral guidance for analyzing the organization of existing public schools and for their reorganization if and as we transition to a new way of doing business and thus a new way of "doing school"? In the space remaining I sketch my responses.

Resources for Education at Home and at School

A major issue for every state and most families in this country and world is insufficient resources for education at school and at home. The main resources at stake are money, time, and knowledgeable, skilled, caring persons from and with whom others can learn directly or indirectly. It is widely recognized that socio-economic status is the factor that correlates most strongly with educational or school achievement, at least in the U.S. Children from lower income families generally have fewer material, cultural, and child-care resources to access and greater social and health-related obstacles to overcome. One might think that, for this reason, public schools that serve these higher needs children would receive above average resources, but the opposite is usually the case. This is because historically school funding has primarily been a local responsibility in the continental U.S., and localities have had widely disparate means from which to draw, largely as a result of our interest-based, mono-currency economy. While this is still very much the case, in recent decades states have begun, often under court order, to try to reduce if not eliminate the inequity (Anyon 1997, pp. 129-148). But even if they garner the political will, states today lack the fiscal means to do so.

The resources at issue here may be public or private, but both are party to the same monetary system. While these are complex matters in which to unravel causal relations, I want to try, first with respect to public resources. Because "education" is a constitutionally protected right at the state but not the federal level in the U.S., it is to state budgets and funding policies that we must turn to understand the economic conditions of public schooling. It is widely known that most if not all states have been suffering from economic downturns and inadequate revenue streams in recent years. While legislatures in all states but Vermont are legally bound to balance their budgets, many achieve this in part by borrowing funds to make ends meet. In itself borrowing is not a problem, and may even be wise, *if* the economic prospects of a state are sound. However, given the interest built into our monetary system, the consequences of a state living and/or building on borrowed money are staggering, even *if* its economy is booming.

Take Illinois for example. As of June 2003 the state debt was over $21.7 billion, which did not include another $34 billion of unfunded pension fund liability and another $27 billion of other debt issued by state-created authorities but for which the state itself has either only a "moral obligation" or no obligation to guarantee. Interest payments on the $21.7 billion debt will amount to another $19.7 billion by time these bonds have come due in 2034. In other words, taxpayers will pay almost *double* the amount that their legislators borrowed. Talk about inflation! This debt will rise if the state issues additional bonds or if it engages in short-term borrowing to address revenue shortfalls, as it has done in ten of the past twenty years. (Illinois Governor's Office of Management and Budget 2004a, 2004b; Illinois Economic and Fiscal Commission 2003; Wilshire 2003)

"From an intergenerational equity or cost-benefit perspective," state economic advisors argue, "those citizens and businesses that enjoy the future benefit of capital assets financed by public debt should pay the future debt service associated with such assets" (Illinois Governor's Office of Management and Budget 2004b, p. 47). However, hidden in that otherwise economically and morally sound argument is the fact that it is not only the principal that must be repaid, but an almost equal amount in interest must also be paid. By not realizing and questioning this presumptuous bias in our political economy, we are transferring our and our children's hard-earned tax dollars to the few net owners in our global midst and blindly walking down an unsustainable yet hardly inevitable course.

This is the fiscal arena in which Illinois attempts to fund public education—or at least its public schools—and other social goods. Interest on our debt is part of the questionable but unquestioned context in which public (and private) funding issues are debated and determined in Illinois and elsewhere. But why do states borrow in the first place? Besides the above-mentioned borrowing to fund the creation of public assets whose life is expected to exceed the maturity date of the long term debt used to fund them, states borrow because their revenue does not cover their operating expenses, which include servicing their debt. But why is their revenue inadequate? While the reasons may include too high or inefficient state spending, too low tax rates, too limited a sales tax base, too many

tax loop holes, too low service fees, or wasteful political jockeying, revenue shortage also exists because the vast majority of taxpayers have inadequate income and wealth to generate sufficient tax receipts. It is here that public and private resources intersect. The problem with our existing economy is not one of scarcity but one of distribution. Because compound interest is being endlessly received (taken) by the haves from the have-nots, there are insufficient funds throughout the populace to support the public and educational good.

One as yet untested way we might address the shortage in public school funding, while also stimulating our local economies and engaging in the gradual transformation of our monetary system, is at the county level, where local property taxes are collected. In addition to dispersing most of those tax dollars to its local school districts, the county could also spend a complementary currency into circulation for school districts to use as partial payment for their personnel and major local suppliers. This complementary currency would be receivable as payment for the next year's property taxes. Agreements could also be pursued with locally-owned enterprises to accept this currency in payment for their goods or services, and they too could use it to pay their local taxes or other participating suppliers. This complementary currency would be subject to income and sales taxes in the same ways that the national currency to which it is pegged is, but whenever such taxes are local, they could be denominated in the local currency. While there are many technical, legal, and psychological/ educational matters to attend to before such a complementary currency could be piloted and implemented county-wide, it is, I believe, theoretically sound and fundamentally doable. Related efforts are in the piloting stages in communities around the world, and thus there is a growing network of resource people with whom to work in its development (Komoch 2004; Greco 2001).

Educational Reform and the Organization of Public Schooling

The preceding section suggests that superseding the existing bias in our monetary system would reduce the disparity in personal income and increase the sufficiency of private and public funds for personal and social goods such as education and public schools. While this transformation must take place gradually, it is doable, theoretically at least, within a generation or two (Suhr 1990, section 5). But would transforming the monetary system completely address the resource problem, and, if so, is this its only benefit for teachers, students, and advocates of public education? My answer to both is no.

While this monetary change would, I believe, ease and eventually solve the problem of insufficient time and money for education, it would not, in and of itself, create knowledgeable, skilled, caring persons from and with whom others can learn. That only happens through the investment of human effort. However, many such people and their goods already exist among us, positive by-products of our current order and ripe for the full opportunity to be put to good use. For at least two decades now researchers and practitioners have devoted a vast amount of empirical, theoretical, and practical effort to understand and improve educational practice. And yet these efforts are not yielding the results we seek. For instance, average scores on the National Assessment of Educational Progress (NAEP) in reading for fourth and eighth graders have not changed significantly since the exams were first administered in 1992, though there has been significant improvement in math scores (NAEP 2003). Even so, the percentages scoring at or above proficient in 2003 in math were only 32% for 4th graders and 29% for 8th, and in reading 31% for 4th graders and 32% for 8th. And these percentages drop much lower for their Black, Hispanic, and low-income sub-groups. While surely there is more to find out and perfect about educational practice, and many more of us who need to do so, I propose that our problem is *not* a lack of know-how. Rather our fertile efforts toward school reform are sadly in vain without our redressing the flaw at the core of our monetary relations and our systems of survival. Overcoming this flaw will finally create conditions conducive for the knowledgeable, skilled, and caring educators already among us to educate others. For the first time in history we will then have the opportunity to achieve, through our efforts, public education, rather than merely what we have today, which I would call public socialization (Eckrich 1998, p. 227).

This, then, is a second way in which this monetary transformation serves the interests of teachers, students, and advocates of public education: It establishes the conditions of the possibility of public education, conditions which—whether or not we realize it—we have been and still are operating without. And this brings me back to Jacobs and to a final benefit of this monetary change. I suggest that, as presently constituted, U.S. public schools, like the business organizations they were modeled upon, are monstrous moral hybrids, their organization a syndrome-mingling by-product of the prior syndrome-mingling that is institutionalized at the core of modern banking. This is problematic because whereas guardian precepts are suitable and adequate for schools that exist to socialize newcomers into their society and its organizations as they are, such precepts are inadequate and perhaps ill-suited for schools devoted to education, a process whereby critical reflection is cultivated by learners who come to know and excellently do things they

value with as much historical and cultural breadth of understanding as they are then able to master (Eckrich 1998, p. 223). Instead, just as Jacobs (1992) argues that scientific work is best guided by the commercial moral syndrome, I suspect that education is also by its nature a commercial enterprise. We simply have not been able to recognize it as such because our experience of commerce is warped by the bias at its core.

If we can transform our monetary system and transition to a new way of doing business, I am confident that we will be able to sort through the purposes of public schools and organize them so that the public good they exist to facilitate is subordinate only to the education of each member therein and to our realization of the democratic ideal. While the future is what we *all* make of it, I envision the following designs for organizations that educate the public: (1) primary schools or programs devoted solely to the education of their members and organized commercially; (2) secondary schools that function as moral anomalies by attending personally to democratically determined guardian goals, especially vocational ones, except whenever those are trumped by educational needs; and (3) tertiary schools or programs organized commercially for life-long learning. Whatever designs we come up with for public schooling, they should both be informed by and prepare learners for thoughtful participation in our two systems of survival. Only then may the contradiction that concerned Callahan (1962) find resolution.

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