

# Education and Economic Well-Being in American Democracy



Educational Policies Commission

*National Education Association of the United States  
and the American Association of School Administrators  
1201 Sixteenth Street, Northwest, Washington, D. C.*

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## Acknowledgment

IN ITS CONSIDERATION of the highly important relationships between education and economic well-being, the Educational Policies Commission has sought the counsel of economists, educators, and other competent scholars in this field. Chief responsibility for the writing of the report was entrusted by the Commission to one of its members, DR. JOHN K. NORTON. The extensive literature on the subject was reviewed. Thorough discussion by the Commission and the drafting of the manuscript followed. To every phase of this process Dr. Norton brought a wide experience in educational finance, an unusual capacity to follow technical material through to practical conclusions, a penetrating insight into economic and educational issues, and a clear literary style. The Commission records here its deep appreciation of his contribution.

This report was approved for publication by the Commission on November 21, 1939.

# *The Educational Policies Commission*

Appointed by the National Education Association of the United States  
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\* Deceased, September 22, 1938.

## Foreword

**T**HE COMMISSION wishes to note here the assistance of a large number of persons who have contributed to the development of this report.

Special acknowledgment is due Harold F. Clark for an extensive memorandum prepared especially for the Commission and which served as a basis for certain chapters of this volume.

Mabel L. Walker prepared a special memorandum on economic literacy and read and criticized preliminary drafts of the report.

A subcommittee of the Educational Policies Commission, consisting of John K. Norton, George S. Counts, and Edmund E. Day, has met on numerous occasions during the consideration of this problem by the Commission. In May 1936 the Commission called into conference at Chicago a group of economists and sociologists including R. M. Haig, Harold G. Moulton, and Howard W. Odum.

A preliminary draft of the report was read by J. M. Clark, who made extensive and helpful criticisms concerning it. Among many others who read and criticized the document we wish to mention especially Edwin A. Lee, Newton Edwards, and Frank Cushman. Alice L. Edwards read and criticized the section on the education of the consumer. Eugene S. Lawler reviewed and criticized the chapter on estimating costs.

We are indebted to the staff of the Libraries of Columbia University, and particularly of the Library of the School of Business, for courteous assistance in making their resources readily available.

The document draws heavily on many deliberative committee reports and publications of sociologists, political scientists, leaders in government and school finance, econo-

mists, and educators. Especially useful have been the findings of the Advisory Committee on Education, the Regents' Inquiry, the American Youth Commission, the National Resources Committee, and many other governmental and private investigations. The appreciation of the Commission is here expressed to these and other authors and publishers for their permission to quote from their publications.

Although none of the individuals or organizations named above should be held responsible for any statements in, or omissions from, this document, the Commission is deeply grateful for their cordial encouragement and helpful cooperation.

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## I.

### THE ECONOMIC CHALLENGE TO AN AMERICAN IDEAL

*Efficient universal education is  
the mother of national prosperity.*

—RALPH WALDO EMERSON.

The American ideal of equality of opportunity assumed one of its most concrete forms in a universal system of public schools. Education, conceived first in the limited terms of old world ideas, soon burst these narrow bounds. The common school was developed first to offer elementary education to all the children of all the people. Later secondary education was provided at public expense. Today approximately two-thirds of youths of high-school age are enrolled in secondary schools. Higher education was first the prerogative of a favored few. Now more than a million youths attend the colleges and universities of the nation.

Universal public education grew out of the democratic ideal. It flowered with the fulfillment of that ideal. Education came to be looked upon in the United States as the open door to opportunity. Children and youths might differ in



capacity, wealth, and social position, but in their right to get an education—to capitalize such talents as they possessed—they were to be equal. Such became the ideal of our democratic society.

*Circumstances Require Reappraisal of an American Ideal.*

Progress requires continual measurement of ideals in terms of achievement. Repeated surveys by groups of thoughtful citizens in recent years have revealed that educational opportunity is far from available to all. Quite apart from industry and ability, the likelihood that a youth will be able to secure adequate and effective education is reduced to a marked degree by such factors as the following: belonging to a poor family, living in regions where wealth and income are too low to afford an adequate local tax base, being a member of a minority group such as the Negro race, and living in a rural area.

Fortuitous factors of the most indefensible character, rather than capacity to learn and willingness to work, now determine the kind and amount of educational opportunity provided millions of American youths. Educational opportunity, instead of being a solvent of class lines based on hereditary wealth and position, threatens to become a cement which sets and perpetuates these distinctions.

Some of the outcomes of this situation are that nearly a million children are not enrolled in any school and many more are attending schools of the poorest quality. Only a minority of the youth of the nation complete their high-school education. At least a third of those who leave school at an early age do so primarily because of financial limitations. Many of those eliminated for this reason possess superior intellectual capacity and other qualities which justify further schooling.

Knowledge is not lacking as to what needs to be done in order that education may fulfill its democratic functions.

This has been the subject of careful study and clear pronouncement by a number of representative groups of citizens in recent years.<sup>1</sup>

Why then is action so laggard? The factors responsible are doubtless many and complex. One of the most formidable barriers to educational progress, however, is easy to identify. Persons close to the practical operation of schools and colleges at all levels, public as well as private, in all parts of the country, would generally agree that problems of finance are formidable obstacles to the provision of much needed educational facilities and services.

### *Education Is Receiving a Decreased Share of Public Funds.*

The problem involved in securing adequate funds for education is not a new one. Growing numbers of children and youths who have clamored for admission at school and college doors, and the increasing demands on education of a dynamic civilization, have long made this a difficult problem. Depression conditions have accentuated its difficulty. Among the many factors involved are two which will be identified here.

First, income has been sharply reduced. A national income which approximated 80 billion dollars at the close of the 1920's has vacillated between 40 and 70 billions during the past decade. A second factor has been the reduction in the percentage of governmental expenditures allocated to education. While public expenditures as a whole increased from \$10,844,000,000 in 1930 to \$15,563,000,000 in 1936,

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<sup>1</sup> The Educational Policies Commission has outlined *The Unique Function of Education in American Democracy*, described the characteristics which an educated citizen should possess as a result of the proper fulfillment of *The Purposes of Education in American Democracy*, and outlined its conception of what *The Structure and Administration of Education in American Democracy* should be. Other commissions in recent years have made careful analyses of the current educational situation and have also offered proposals for its improvement.

expenditures for public education—elementary, secondary, and higher, regular and emergency, federal, state, and local—declined from \$2,417,000,000 to \$2,237,000,000 in the same period. The percentage of total governmental expenditures allocated to public education declined from 22.3 to 14.4 between 1930 and 1936.<sup>2</sup>

The factors which resulted in the foregoing trends in public expenditures are extremely complex. There was great pressure for expenditures for relief and social security in various forms. International conditions have resulted in the largest peace-time budgets in our history for war preparations. The fact that the federal government possessed superior tax-raising and borrowing facilities, as compared with state and local governments and boards of education, and used them to finance certain services, was in the picture. Also, local fiscal machinery, through which education is mainly financed in most states, broke down in many communities. Other factors were also involved.

### *Education Has Decreased Support and Increased Responsibility.*

Financial limitations have caused thousands of schools and colleges to restrict their educational services. There has been little opportunity to develop facilities needed by millions of youths whose entrance into economic life has been abnormally delayed, or to respond to other new and urgent demands.

In the meantime, the potential significance of schooling has greatly increased. This is readily illustrated in the economic sector of life. Many business and industrial concerns have sharply raised the amounts of schooling or occupational training required of new employees. The opportunities which young men and women have to "get ahead" in

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<sup>2</sup> Heer, Clarence. *Federal Aid and the Tax Problem*. Washington, D. C.: Government Printing Office, 1939. p. 20-23.

life are dependent as never before upon the schooling they can afford. The amount of general, technical, and professional preparation demanded for occupational success is steadily increasing. Furthermore, a higher degree of economic literacy is needed in order that citizens may have the ability to criticize and intelligently appraise current economic goals and policies. Failure to provide the educational facilities demanded by the nature of our society will amount to a rejection of the ideal of equality of opportunity.

### *Education and Economic Well-Being Are Interdependent.*

Under current conditions, judgments are constantly being made affecting schools and colleges in the United States, in which immediate financial expediency is the determinant. Decisions as to the kind and the amount of education which will be provided are made with the most meager consideration of long-range effects on the economic as well as other areas of life.

The problem of financing the kind and amount of education which will maintain a high technology in a democratic, industrial society demands fundamental examination of the interrelations of education and economics. It calls for thoughtful appraisal of the contributions which education makes to productivity and general economic well-being, and judicial consideration of the economic limitations on the amount which may be wisely spent for education.

Hence this volume deals with questions such as these: What factors contribute to high productivity in an economy such as ours, and what contribution does education make to such productivity? Does the improvement and strengthening of our national economy involve an improved program of public education? What kind of educational opportunity for youth is socially desirable? What kind and amount of education will result in maximum eco-

conomic well-being? To what extent are children and youths of superior ability denied educational opportunity because of lack of family finances? What effect has such denial on productivity and national income? To what extent will an educational program, right in kind and amount, tend to amortize its cost? Has the nation reached a period when it appears that basic economic limitations require restriction of the further development of free education? Or does it appear wise, from a purely economic point of view, further to extend this expression of the American ideal of equality of opportunity?

The program proposed here should be appraised from the point of view of long-term, rather than immediate, considerations. It should be looked upon as a series of general policies to guide future educational development, with its economic functions in mind, rather than a blueprint of specifics. The proposals made will need adaptations to state and local situations. They should be modified and perfected in the light of future experience.

The Commission fully recognizes the limitations and difficulties of a study which focuses attention on the relation of education to one sector of life—the economic. The influence of education is too pervasive to permit studying its economic effects in complete isolation. The results of education are by no means limited to the economic sphere. Education's contributions to the spiritual, ethical, and intellectual realms have always been, and will always be, of greater significance than those in the sphere of material things. The desirability of a given kind or amount of education can never be decided on purely economic grounds. The economic phase is inextricably interwoven with other phases of human culture. Accordingly, it is more accurate to say that this volume is mainly concerned with, rather than confined to, the interrelationships of education and economic well-being in American democracy.



## II.

### EDUCATION AND PRODUCTIVITY IN AMERICAN ECONOMY

*The basic process by which the productive capacity  
of society is maintained or increased is by education.*

—CHESTER I. BARNARD.

It is the purpose of this chapter to identify elements and characteristics of an economy which contribute to productivity, and to appraise the extent to which education contributes to them.

#### *Economists Identify Certain Basic Factors of Production.*

Economists differ on details in analyzing the basic elements in the productive process. Their discussions, however, generally recognize four basic factors. Labor, whether of brain or of brawn, is identified as an essential element. Natural resources, involving the raw materials of land, water, and climate upon which production rests, consti-

tute another basic factor. A third element in production is capital, including such factors as tools and machinery, factories, warehouses, and inventories. The efficient use of all factors of production depends upon organization and management. These have become so important in industrial economy that some class them as a fourth basic element in production.

The manner in which labor, natural resources, capital, and organization and management operate in relation to production differs in many respects in a highly specialized technological economy from that in a less advanced society. In appraising the relation of education to the foregoing factors in the productive process, we shall have in mind their roles in a highly developed industrial society such as the United States.

### *Intelligence and Efficiency of Labor Vitaly Affect Economic Production.*

It is a lesson of history, as well as of contemporary times, that the human resources of a nation constitute its primary wealth. Nations have grown rich and powerful in the absence of outstanding physical resources by developing their human assets. Others have remained poor and backward in the presence of unusual natural resources. It is human intelligence which gives these resources value. To a savage, coal is black rock and a waterfall merely a physical danger to be avoided. To an intelligent man they are the source of energy for power-driven industries of fabulous productivity.

It is such considerations which have led economists to recognize the importance of the human factor in the productive process. Seligman states the case as follows:

"The older economists were fond of emphasizing the dependence of the demand for labor upon capital. While this analysis was in many respects valuable, they overlooked

the independent power of labor to contribute to its own uplifting through an increase of efficiency. It is precisely here that the economic effects of education and leisure as well as of social and political progress mean so much to the community. In the commercial warfare that is being waged between nations today, education is recognized as a potent weapon. . . . The finer the tool, the greater will be the product; when the tool consists of human energy, we have not only a greater product, but a greater capacity in the human being to utilize the product.”<sup>1</sup>

A carefully planned and efficiently administered system of education significantly increases the intelligence and efficiency of labor. Several ways in which education exercises this important economic effect are dealt with in subsequent paragraphs.

*Educational Opportunity Encourages the Worker  
To Rise through Personal Effort.*

One of the key ideals of American life has been the belief that the individual through his own efforts might rise to a position of competence and respect. A closer approach to equality of opportunity, as opposed to opportunity fixed by social and economic position of family, is a major distinction between the new and the old world. It supplied powerful incentive during the period when political and economic individualism were emphasized in the United States. It was “a driving influence in the extraordinary development of the material resources of the nation.”<sup>2</sup> Through education every individual might advance as far as his talents could carry him. Economists

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<sup>1</sup> Seligman, Edwin R. A. *Principles of Economics*. Sixth Edition. New York: Longmans, Green and Co., 1914. p. 292.

<sup>2</sup> National Education Association and American Association of School Administrators, Educational Policies Commission. *The Unique Function of Education in American Democracy*. Washington, D. C.: the Commission, 1937. p. 38.



recognize the economic effect of maintaining an open door to educational opportunity.

“The greatest stimulus that can be given to the human spirit is to serve notice upon it that its achievements are to be limited solely by its own native power, . . . that neither birth nor family prestige will count for much, and that humble birth and lack of prestige are no handicap to the person of ability and industry. This has made the typical American a model of energy. Our public school system has provided him a free chance to train whatever native ability he possessed.”<sup>8</sup>

With the passing of each decade, graduation from high school and even more extended schooling are prerequisite to admission to a growing percentage of occupations. Energy and graduation from the “school of hard knocks” no longer promise success in most callings. Opportunity more and more lies along the route of extensive general education and specific trade or professional training. The doors of educational opportunity must be wider than ever before, if all Americans are to feel that no insuperable obstacles prevent the individual from realizing the best that is in him. Such a feeling must prevail if the dynamic economic effects of education are to continue.

### *General and Specialized Training Increase the Efficiency of Labor.*

The industrial revolution, resulting in history's most dramatic increase in economic productivity, may be epitomized in the fact that a growing percentage of trained workers have used more and more effective methods of work. A high output per worker is generally associated with a high level of vocational intelligence and skill—not the reverse. Census data show that the growth of productivity in the United States has been paralleled by a

<sup>8</sup> Carver, Thomas Nixon, and Lester, Hugh W. *This Economic World and How It May Be Improved*. Chicago, Ill.: A. W. Shaw Co., 1928. p. 365.