

‘ADDED VALUE’ IN EDUCATION: A GENEALOGICAL DISCUSSION OF THE TERM AND ITS IMPLICATIONS

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The genealogy of 'value'

I shall address the genealogy of the term ‘value’ and by tracing its uses in different contexts, to bring the concept of ‘added value’ in education under closer than usual scrutiny, and thereby to construct a possibility of thinking differently about ‘value’ in education.

My argument is that there are three possible interpretations of the notion of ‘value’ in education, which derive from economics or political economy, and that the discrepancies and interplay between them allow an apparently tightly logical requirement of schools and teachers to become a quantitative strait-jacket, to compel unnecessarily the use of market oriented measures of success, and to excuse government from taking responsibility for the economic well being of school and university graduates. The three meanings are: ‘use value’, ‘subjective value’ and ‘labour value’.

Added value in education

AS ERO (the Education Review Office) goes about the schools, one of the items it is looking for – one of the ‘outputs’ it wishes to hold the school ‘accountable’ for – is ‘adding value’ to the students’ education. Many Memo’s have been sent from Principals to Heads of Departments demanding evidence of ‘added value’, and one would imagine that many memo’s have been returned to Principals asking ‘how?’

For ‘adding value’ in education is not easy to prove. One never knows whether a child has suddenly improved in calculus or geography because of the careful and precise explanations the teacher has put on the Overhead Transparencies, or because they have been talking to an older cousin, or have read a book from the local library, or perhaps an old text lent them by a friend, or have chanced upon an interesting documentary on the television or... It is practically impossible to know, even if one is 99% sure, that the critical, positive difference has been made by the teaching. Modest and sensible teachers know that their work, although of great importance, is part of the larger social and intellectual scene their students live in, and that ‘success’ may be attributable to them, or that they may be a part of it, as they may be a part of ‘failure’, but that in large part they capitalise on what has gone before, and that their influence may be seen immediately, in test or examination results, or it may be seen many years later, perhaps only in a new generation which comes to school willingly instead of reluctantly.

Nash and Harker express similar sentiments in their book subtitled *Adding Value in Secondary Education*.

It will be found that we are critical of the concept of “added value”, a term that seems to have at least as much potential for harm as it has for good

and will argue that in its restricted technical sense the term has little practical utility for schools, and in a looser sense does no more than emphasize the different sorts of educational work performed by them....Teaching English to students with a limited facility in the language, and preparing the most competent students for the Bursary Examination are different tasks, and ones that must be assessed by different criteria. Whether one task is more difficult than the other, whether one actually “adds more value” than the other is impossible to say. It is actually a big problem in this area that “added value” can be used, and not only by politicians, in a way that suggests a technical reference when it serves an entirely rhetorical purpose. This criticism should in itself, be sufficient warning that we are not disposed to produce a report of our research in that style at the risk of compromising the technical integrity of the work. Schools are complex organisations with complex tasks to carry out: the work they do has social and cultural consequences as well as educational ones. (Nash and Harker, 1998 p.4).

This concept, ‘value-added education’ features in much of the recent government or semi-government and business - oriented documents on education. It is often assumed, that education can be seen as a process which in a manner analogous to a car assembly line, turns the raw material – steel, plastic, glass, chrome... or flesh, blood, a receptive brain – into an item which commands a higher price, i.e. has a higher value on the market than its original components did. Here, value is seen as the price that can be obtained on the market. And it fits in with the discourse of ‘enterprise culture’ and other metaphors drawn from economics and business (see Smyth 1999) which tend to individualise responsibility for education and career success in terms which exculpate government and society at large.

Added Value and Accountability

ERO interprets its ‘output’, (which using the parlance of economics, is what it is expected to deliver to government), of better educational performance by schools in terms of ‘added value’, and to enable it to give ‘factual’ reports to government, it requires the schools to give an account of the value they add to students, in order, presumably, that ERO will be able to amalgamate all these statements of value into a column *representing* ‘income’ which will then be ruled off with a satisfactory bottom line. Yet, economists are apt to scoff at people who price their goods on the basis of ‘cost plus’, that is, the cost of the raw material, plus the cost of labour and capital expended in producing the final commodity, and this scoffing is based on an ‘Austrian ‘ notion of value, which is quite at odds with the assumptions behind ‘added value’.

The notion of ‘added value’ is inextricably linked with the idea of accountability. Teachers are accountable for ‘adding value’. The value they add is the amount they contribute to the ‘business’. The pressure for this kind of accountability comes from government circles and from the business world. Treasury (1987) presents government as the ‘provider’ of education, and conceptualises that role as that of a business investor.

Education is never free as there is always an opportunity cost to the provider. Those who provide the inputs to formal education naturally seek

to defend and develop their own interests. Hence, formal education is unavoidably part of the market economy and the Government can afford to be no less concerned with the effectiveness and 'profitability' of its expenditure on education, in relation to the state's aims, than private providers would be in relation to their own.

'Value' as quality, or satisfaction, market demand or investment capital?

In the discourse of business, 'value' seems to be confused with 'quality', in the sense of 'that which gives the customer satisfaction', and with 'profit' or 'dividend', in the sense of 'that which arises from investment'. Both usages are present in the writings and speeches of people who can be described as 'applying economics to politics', i.e. as working within the Public Choice tradition. For instance, to Sexton, 'quality' which we might see as something similar to 'value' is simply meeting the expectations of the consumer, simplistically interpreted as the parent.

In the presence of choice and competition the quality, as well as quantity, of provision will meet the expectations of parents more effectively than under a bureaucratically controlled system. (Sexton, 1990).

However, in 1990, the battle was on, in educational and ideological terms, between the pure Hayekian market, which is at the heart of Sexton's views, and the more pragmatic, economy-oriented 'human capital' views.

In the same year as the Sexton report appeared, for instance, The Rt Hon William Birch, introducing the Employment Contract Act to Parliament during the Budget speech, made these comments:

Statistics on educational qualifications suggest that the New Zealand workforce is poorly qualified for today's economy, let alone tomorrow's. Despite rising unemployment, many firms have difficulty in recruiting people with the right qualifications. There is a growing demand for skilled, adaptable workers and a steady erosion in the number of unskilled manual jobs.

In 1991, the 'Porter Report' (Crocombe, 1991) weighed in on the side of human capital:

New Zealand has spent tens of billions of dollars in building an education system without a clear national consensus as to what we expect in return. Our educational goals and priorities continue to be developed independently from an understanding of our economy and its future development prospects. New Zealand's education system lacks specific focus on the kinds of knowledge and skills required to ensure that New Zealand remain a prosperous country.....

Accurate and objective measures of the effectiveness of our education system are central to evaluating the effectiveness of this investment in addition to evaluating and motivating the performance of our young people.

This instrumental and positivist interpretation of education appealed to the businessmen of the Round Table. In the following quotation, 'value' to be produced by education is evidently something more aligned to the 'workforce', i.e. to the needs of business, than to the requirements of parents:

What the Business Roundtable seeks is an education system that is efficient and meets the country's economic and social goals. We want to see the system producing well rounded, better qualified and highly motivated future members of the workforce. (Matthew 1991).

By 1993 it appears that the battle is won by human capital, rather than the market; 'investing in people' that is, adding value to persons, is going to pay off in terms of an upskilled technological workforce which will solve our economic problems.

...The government is committed to an education system that prepares New Zealanders for the modern, competitive world.....initiatives carefully constructed to build a better future by :investing in people: our greatest asset.....

(T)he New Zealand education system is renowned for significant educational developments, but it has so far failed to produce sufficient people with the advanced levels of skills and knowledge demanded by the highly competitive, high-technology market place in which New Zealand must prosper. (Lockwood Smith, 1993).

In the realm of the pure Hayekian market, the demand determines supply in such a way that all interests are satisfied, including those of parent/consumer and buyer/employer. By satisfying individual needs, the interests of the greater whole are satisfied. That is how the invisible hand works. It is interesting that in its attempt to find a point of ideological difference from the (Labour) Government the National Party is returning to the notion of the free market and competition as their *leitmotiv*, not least in education:

(We reject) "Trevor Mallard's oxymoronic comments last week that 'secondary schools will have to be less competitive but still focus on excellence'. It is competition that delivers better quality and better services. Labour wants to take New Zealand back to the days of state-controlled monopolies with little regard for the quality delivered," Mr Brownlee (New Zealand National Party, Oct 3).

But it is evident that the temptation to help the Invisible Hand on its way is almost irresistible: If the value to be added can be the values that the economy requires, the ensuing prosperity will justify the neo-liberal programme, even if, to purists, the programme itself has been violated. The appeal of 'human capital theory' with its stress on the reconstruction of the populace in the interests of the economy, may seem more in line with the ideas of Mothe le Vayer, or Adolf Hitler, - with what Foucault calls 'police', than with the ideas of the pure economic liberals who would allow the free choice of rational individuals in response to market signals to bring about

desirable change. Human capitalists cannot wait: value is by their definition value in the market place, and if education has any role in the economy at all, it must be to produce that value.

Growth and Stability

Moreover, there is an increasing awareness that 'economic growth' can contribute to social stability, and thereby prevent or ameliorate some of the damage done by abandoning notions of social justice, so there is governmental anxiety to bring about this elusive economic growth, through educational as through other means, in order to produce 'docile and productive citizens':

The government believes that a successful education system is fundamental to achieving sustained economic growth. (Lockwood Smith 1993).

The full force of the term 'economic growth' can perhaps be better gauged through Winton Bates:

sustained growth has often been accompanied by democratisation.

Growth has typically been accompanied by improved education, improved communications, greater population mobility and other factors which have led to pressures for the evolution of political institutions in democratic directions. In turn, democratisation has contributed to the resolution of issues by peaceful means. (Bates 1996, P viii).

Although Bates suggests that 'improved education' and social stability may be correlates of economic growth, others have assumed that they are results, which will in turn provide ideal conditions for further growth:

the best security against the reversal of recent reforms is to continue with reform in order to encourage growth and employment, and to provide increasing opportunities for the unskilled and those on low incomes to raise both their skills and their incomes. (Brash,1996 P.47).

And yet, implicit in Birch's (1990) position quoted above, is the notion that a satisfactory education system is *a necessary condition* for growth. This confusion, over the relationship of education and prosperity, mirrors the confusion over the nature of 'value' in education.

The problem of 'value': the labour view

Adam Smith addresses the question of added value more than once, but in book IV of the *Wealth Of Nations* he says:

The produce of industry is what it adds to the subject or materials upon which it is employed. In proportion as the value of this produce is great or small, so will likewise be the profits of the employer.

Here lies the source – or one of them – of the belief, that the increase in value of the manufactured object is the result of the labour, and the use of capital, of the industrial worker and the employer. In general, Marxist economics has emphasized the former input, and neo-liberal economics has emphasized the latter. In its time, Smith's argument was a rebuttal of le Quesnay, who believed, along with the Physiocratic school, that all value derived from the land. Book IV

Ch 6 of *Wealth Of Nations* is a sustained attack on this position. To this extent, Smith's view is radical, and opens the way for much more sophisticated thinking about the processes of the economy. In this view, it is easy to see how value can be added in education. Someone has to work. Labour has to be injected into the passive body of the student, either by the efforts of the teacher, or of the student, or both. It is an *industrial process*, an input of a fairly observable, or measurable kind.

Use value

This is not the only way to look at value however. In a section called 'Of Trade and Industry', Sir James Steuart devotes a section of *The Principles of Political Oeconomy* to an inquiry into the standard prices of articles of 'the first necessity', (what we call the 'basic necessities'), 'since the value of them does necessarily influence that of all others'.

In the course of this inquiry however he finds that it is very difficult to identify that value unless the necessities are often traded:

Whenever a question arises about price, an alienation is necessarily implied; and when we suppose a common standard in the price of any thing, we must suppose the alienation of it to be frequent and familiar. ...in countries where simplicity reigns... it is hardly possible to determine any standard for the price of articles of the first necessity.

Steuart goes on to describe what we would call subsistence economies:

What answer would a Scotch highlander have given any one, fifty years ago, who should have asked him, for how much he sold a quart of his milk, a dozen of his eggs, or a load of his turf? In many provinces, unacquainted with trade and industry, there are many things which bear no determinate price; because they are seldom or never sold... sale alone can determine prices, and frequent sale only can fix a standard.....

This concept of items which have value, but no price, later became known as 'use value': 'use value' is value *outside of the market*. This enabled Steuart to describe subsistence economies and domestic economies in terms which are neither derogatory nor based on some notion of nominal exchange value. Things in use are simply of value in their own right, without reference to a market.

Smith himself picked up this point, and explains a viewpoint which challenges his own notion of added value, which I quoted earlier, in book 1, chapter iv, 'on the origin and use of money'.

The word VALUE, it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called 'value in use;' the other, 'value in exchange.' The things which have the greatest value in use have frequently little or no value in exchange; and, on the contrary, those which have the

greatest value in exchange have frequently little or no value in use. Nothing is more useful than water; but it will purchase scarce any thing; scarce anything can be had in exchange for it. A diamond, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had in exchange for it. (Smith 1776, p.44).

However, because Smith's thesis was to a large extent that commerce, or 'the market' is co-terminous with 'the economy', use value had little place in his way of thinking, and less in that of many of his subsequent adherents.

Now education might well be conceived as a 'value in use': like water, it is in most countries, inescapable, but still indispensable. Its very commonness gives it the appearance of insignificance, and moreover, reduces its 'exchange value' for a reason which I shall explain shortly. Education is inescapable, because in any society in which the family, or the community has not broken down altogether, children are going to be educated, in the sense of being socialised, and taught the basic mores of that community, even when formal education, or higher education or vocational education has been apparently grossly disrupted. A child who has some command over language has some education. This is not the common understanding of the word used by those who would take educationists to task for not achieving their goals, but it is nonetheless the case. It is not perceived as 'valuable', precisely because such limited forms of education are so common as to command no exchange value. But they still have use value to their 'owners'.

'Subjective value' versus 'labour value'

Smith then, distinguished between 'use' value and 'exchange' value, but is in some difficulty to explain the variations in 'exchange value. In his lectures, according to Cannan (Skinner) he explains the exchange value as being reflective of the purchasers preferences in relation to pleasure and pain, but also to aesthetic considerations such as colour or variety, thus enabling him to explain why apparently useless items such as jewels should command higher prices than more useful objects. However, this argument, which became much more popular in the arguments in the writings of the Austrian school notably those of Carl Menger, as the theory of *subjective value*, does not appear in *Wealth Of Nations*. Instead, Smith argues that value derives from labour, in a kind of derivative, substitutive way.

The real price of every thing, what every thing really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. What every thing is really worth to the man who has acquired it, and who wants to dispose of it or exchange it for something else, is the toil and trouble which it can save to himself, and which it can impose upon other people. What is bought with money or with goods is purchased by labour as much as what we acquire by the toil of our own body. That money or those goods indeed save us this toil. They contain the value of a certain quantity of labour which we exchange for what is supposed at the time to contain the value of an equal quantity. Labour was the first price, the original purchase-money that was paid for all things (Smith 1776, 47).

This is more like the definition of value quoted at the beginning of this section. It is easy to see

how Marx derived much of his labour theory of value from this.

The decline of 'use value'

Over time 'use value' declined in importance in the eyes of economists, to the point that Malthus in his chapter 'On The Nature And Measures Of Value' in *Principles of Political Economy* was unsure as to whether the term deserved to be included in a text on political economy:

Most writers in treating of the nature of value, have considered it as having two different meanings, one, value in use, and the other, value in exchange. It may be questioned whether in fact we are in the habit of using the term in the first of the these two senses. We do not often hear of the value of air and water, although they are bodies in the highest degree useful, and indeed essentially necessary to the life and happiness of the human race. It may be admitted, however, that the term, taken perhaps in a metaphorical rather than a literal sense, may imply, and is sometimes used to imply, whatever is necessary or beneficial to us, and in this sense may apply, without impropriety, to a clear spring of water or to a fine air, although no question could arise respecting their value in exchange.

As this meaning, therefore, of the word value has already been admitted by many writers into the vocabulary of political economy, and, although not much sanctioned by custom, is justifiable in a metaphorical if not in a literal sense, it may not be worth while to reject it; and it need only be observed that as the application of the word value in this way is very much less frequent than in the other, it should never appear alone, but should always be marked by the addition, *in use*. (Malthus 1820, p.51).

'Value' therefore is being steadily reduced, over the period of 50 years, to being construed only as *market value*.

Market value

Carl Menger, an enthusiastic reader of Adam Smith, disputes with Smith his theory of value. Menger argues that value is not established by the amount of labour that goes into a product, but purely by the exercise of the subjective preferences of purchasers. Adam Smith's notion of the addition of labour causing a rise in value was too abstract for Menger: it was the will of the individual which caused the rise or fall in value,

ultimately, these processes must be traced back to the purposeful actions of individual agents, even though the actual form of the processes may not be wholly explicable by conscious individual intentions alone. (Oakley 1997, 42).

If a person invested a small fortune and much labour, for instance, in breeding draught horses, and they become obsolescent, then their worth is precisely what some fancier of oldfashioned breeds will pay for them; they will not command the cost of their development. Indeed, Hayek later

argues that it is precisely this ruthless mechanism which is the heuristic device of the 'invisible hand': the rise and fall in the market price, caused by the preferences of buyers, communicates to sellers what they should be putting their efforts into, and thereby they put their efforts into productive and desirable fields of endeavour, to the general benefit and teleological development of the entire community and economy.

Leaving aside Hayek's glowing metaphysics, I think Menger is right. Education, conceived as a commodity of exchange, is worth precisely what the market will give it, at any one point of time. And if the market will not pay for it, it is not worth anything – as an exchange value. That does not mean, that it does not have use value.

This point has some real implications for the conduct of educators. If the exchange value of education is entirely a matter of the market, it is unpredictable, and it would be unwise for us to continue to advertise our wares in terms of this form of value. Any school teacher who has confronted the situation in which a child has worked hard in order to get their school certificate, and consequent employment – and hasn't - will understand my point.

The general response to this problem however, has not been to abandon the argument, but to argue that it is only *some* forms of education which have value, that is, exchange value. This is the position for the writers of *The Knowledge economy* (Ernst and Young, 1999). Although they claim a wider definition:

Knowledge workers are defined as "symbolic analysts", workers who manipulate symbols rather than machines. They include architects and bank workers, fashion designers and pharmaceutical researchers, teachers and policy analysts.

It becomes very evident that the new and desirable 'knowledge workers' in terms have a very narrow range of skills and jobs, mainly to do with computing and Information technology skills. Students who are skilled in history, philosophy, languages, agriculture, are marginally 'knowledge workers' in this account.

In a pure hayekian market, Ernst and Young should not be recommending to the Minister of Commerce what form education should take in order to facilitate the direction of the economy. The market itself should be delivering the message loudly and clearly to the rational and self-interested young minds who are our students, and they, by choosing the right courses and the right institutions, should be reshaping the education system of this country in a purposeful and efficient manner. Unfortunately, they don't seem to have got the message.

Given this failure of the 'individual' to respond to messages which Ernst and Young (among others) believe are *about to come* from the market - because this is very much in the realm of prediction, not of observable present fact - it is very tempting to create messages, and take them to the target as it were. This is easily conflated with 'human capital theory' in which the students, or the population in general, are viewed solely as a resource for the use of the economy or business. Ernst and Young's conduct is in line with Menger's view that one of the (few)

admissible roles of government is to convey information to the populace. The human capital view is expressed by Lockwood Smith as 'investing in people'. 'Added value' is more about the industrial process - how the investment is applied, although the notion that the people to whom value is to be added are the equivalent to iron or coal or unprocessed beef, is exactly the same.

Conclusion: The confusions over 'value' in educational discourse

'Added value' may be 'use value', in which case it has no ascertainable value on the market, although it may visibly enrich the lives of the population; it may be a form of 'exchange value', in which case it might reflect the addition of teacher or student labour, or both, to the mind of the student; or it might reflect the state of the demand for educated labour at any one time.

If it is the first, then checking for its existence is exactly the same as checking whether or not learning, of any kind, has taken place, with all the usual complexities and uncertainties, and with no reference to the market. If 'added value' is of the second kind, then evaluation should be accompanied surely by some kind of sociological assessment of the hindrances to teacher and student, and such value should be acknowledged to exist, even if demand for the end product does not; and in the last case, it should be openly acknowledged that the education system is not responsible for the state of the economy, and that the high or low state of demand for educated workers is the outcome of economic management, not of educational labour. It is this last meaning of the term 'exchange value' which is currently in vogue, because although its proponents defy classical market theory, they still reflect the belief in the ability of the market, even a predicted rather than actual market, to produce teleologically oriented change.

It is by confusing the second and third meanings of the word, that politicians are able, as so many have done in recent years, to deduce that the lack of market demand for the educated worker is the fault of the lack of effort of the technician who is supposed to instal the extra value. That economists have not rushed to the aid of educators to clean up this misunderstanding over the two meanings of the word is possibly because Adam Smith started the confusion, and has reached such unimpeachable status that any economist who started thinking in this direction must, in the words of George Stigler (1982), have considered himself to have gone amiss.

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