
EDUCATION, DECENTRALIZATION, AND THE KNOWLEDGE
PROBLEM: A HAYEKIAN CASE FOR DECENTRALIZED EDUCATION

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American public education has become increasingly centralized over the last hundred and fifty years. Everything from curricular objectives and assessment tools to teacher certification criteria (and, often, textbook decisions) are being made at the state level rather than the county, district, or school level. Increasingly, teachers are told what they must teach, what “best practices” they need to employ, what tests they must give, etc.

This paper brings the arguments of economist Friedrich A. Hayek to bear on the problem of centralized decision making in education. Hayek marshaled several arguments against central planning of economies that I will argue should be applied to similar trends in the field of education. Namely, Hayek argued that there was a “knowledge problem” in society, whereby knowledge is naturally dispersed throughout society in such a way that attempts to concentrate it into a single planner or planning board are, at best, inefficient and, at worst, impossible. Just as with economies, attempting to centralize the governance of educational institutions necessarily overlooks the essential role of local and personal knowledge (teachers reacting to the particularities of their student demographic, schools revising their practices in response to local conditions, and so forth) in educational endeavors.

THE PROBLEM

The history of education in America is a progression from the decentralized, and often private, control of schools to increasingly centralized state or national control. In the country’s early years, even the most educationally active states’ educational systems were governed by a district model, which left educational decisions essentially up to the locality (if not the individual school). Other states left control of educational issues to individuals and families via a market system (with various degrees of tax-funded support for the poor to afford private education).¹

In the 1830s and 1840s, several Whig reformers like Horace Mann and Henry Barnard advocated an increasing role for state governments in educational decision making, promoting greater uniformity in subjects taught and instructional methods used (methods taught to teachers in state-funded normal schools), along with increased state oversight—and funding—of

¹ Carl Kaestle, *Pillars of the Republic: Common Schools and American Society, 1780-1860* (New York: Farrar, Strauss & Giroux, 1983).

schools.² Decisions that were once made either by local alderman or individual schools increasingly came to be made by members of what Katz calls “incipient bureaucracy.”³

This trend of centralizing educational authority continued through the “scientific management” and “administrative progressivism” movements in the early 1900s.⁴ The last few decades have seen even more control taken away from localities, individual schools, and individual parents. In 2001, the bipartisan No Child Left Behind (NCLB) legislation mandated that all instructional methods be “evidence based” to satisfaction of the federal Department of Education and required that all teachers in participating states meet national certification standards.⁵ In 2010, President Obama unveiled the Race to the Top initiative where, instead of states agreeing to create their own statewide curricular standards (as with NCLB), states that agreed to bind themselves toward exogenously created standards would each receive billions of dollars in federal aid.⁶

While there may be some benefits to centralizing educational authority, there are certainly costs. Many worry that imposing standardized curricular goals leaves little or no room for sensitivity to differences in culture and individuality.⁷ Increasing standardization of curricular goals means that schools are assessed on how well their students perform on standardized tests that many argue do not measure real learning.⁸ A greater and greater chunk of what teachers and schools do (and the options that communities and families have) is

² Julie M. Walsh, *The Intellectual Origins of Mass Parties and Mass Schools in the Jacksonian Era: Creating a Conformed Citizenry* (New York: Routledge, 1998), chap. 4.

³ Michael B. Katz, “The Origins of Public Education: A Reassessment,” *History of Education Quarterly* 16, no. 4 (1976): 381-407.

⁴ Raymond E. Callahan, *Education and the Cult of Efficiency* (Chicago: University Of Chicago Press, 1964); Joseph Mayer Rice, *Scientific Management in Education* (New York: Hinds, Noble & Eldredge, 1913).

⁵ Neal P. McCluskey, *Feds in the Classroom: How Big Government Corrupts, Cripples, and Compromises American Education* (Lanham, MD: Rowman & Littlefield Publishers, 2007), 86-88.

⁶ As of this writing, 48 of 50 states (excepting Texas and Alaska) have agreed to follow these (effectively) national curricular standards.

⁷ See, for instance, Deborah Meier and George Harrison Wood, eds., *Many Children Left Behind: How the No Child Left Behind Act is Damaging Our Children and Our Schools* (Boston: Beacon, 2004); Kristen L. Buras, *Rightist Multiculturalism: Core Lessons on Neoconservative School Reform* (New York: Routledge, 2008).

⁸ Peter Sacks, *Standardized Minds: The High Price of America’s Testing Culture and What We Can Do to Change It* (Cambridge, MA: Perseus Books, 1999); Alfie Kohn, *The Case Against Standardized Testing: Raising the Scores, Ruining the Schools* (Portsmouth, NH: Heinemann, 2000).

dictated by increasingly consolidated (and less accessible or responsive) bureaucracies.

While many have argued against these trends, I believe that Hayek's economic and political arguments about the "knowledge problem" and how it frustrates centralization offer something unique to this debate. Proponents of educational centralization can often retort that, despite potential downsides, the upside of centralized decision making is that decisions are made by experts armed with technical knowledge. Hayek's response is twofold: centralizing decision-making authority into fewer hands (a) ignores or underemphasizes the importance of local and personal knowledge in good decision making, and (b) actually decreases the amount of overall knowledge that can be taken into account in making decisions.

Economically, this led Hayek to favor a free market where each is allowed to decide how they will distribute their resources—what they can sell, what they can buy—with few, if any, of these decisions left to government bureaus. While Hayek appears not to have advocated a *completely* free-market in education, arguing that education was a collective good to which government should guarantee everyone a level of access,⁹ any Hayekian scheme of educational organization would have to take the problem of dispersed knowledge, and accordingly an antipathy to central planning, seriously. While I give Hayekian reasons to support decentralization of educational decision making, these arguments should not be taken as necessarily supporting a free market in education. They can equally be used to support, say, local control (but not the privatization) of schools.¹⁰

THE KNOWLEDGE PROBLEM AND ITS EFFECT ON CENTRALIZED DECISION MAKING

Economists and political theorists have long argued that an organized and efficient economy demanded planning power be centralized in national planning boards. Such centralization has most commonly been justified by arguing that centralizing power into boards of experts would lead to more effective, efficient, and rational decision making than would allowing these boards to create and pursue efficient economic policies.¹¹ Arguing against this,

⁹ F. A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), chap. 24.

¹⁰ While not an advocate of voucher or market proposals, Deborah Meier's localism is very compatible with Hayekian arguments for decentralization. See Deborah Meier, *In Schools We Trust: Creating Communities of Learning in an Era of Testing and Standardization* (Boston: Beacon, 2003), and Deborah Meier, *Will Standards Save Public Education?* (Boston: Beacon, 2000).

¹¹ Otis L. Graham, Jr., *Toward a Planned Society: From Roosevelt to Nixon* (New York: Oxford University Press, 1976); Thorstein Veblen, *The Engineers and the Price System* (New York: B. W. Huebsch, 1921); Herbert Croly, *The Promise of American Life* (New York: The Macmillan Company, 1914).

Hayek argued not only that such centralization was undesirable for its constraints on individual liberty,¹² but that such an attempt at centralization is actually impossible, owing to the highly dispersed and sometimes inarticulable nature of knowledge in a society.

To Hayek, knowledge exists in a society (or rather, in the individual minds within a society) in a highly dispersed way, and much of this knowledge is necessarily of a personal and often tacit character. So, for Hayek, “the knowledge problem” was a problem of how to centralize knowledge that ultimately is not capable of full centralization. In an essay titled “The Use of Knowledge in Society,” Hayek framed the problem thus:

The peculiar character of the problem of a rational economic order is determined precisely by the fact that the knowledge of the circumstances of which we must make use never exist in concentrated or integrated form but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess.¹³

First, the widely dispersed knowledge existing in a society is not centralizable in one person or group owing strictly to cognitive limitation. It would either be immensely difficult or impossible for a planner (or planning board) to possess and keep track of all necessary information on planning, to any large degree, a national economy.¹⁴ Even if one person or group could have access to all of this knowledge,¹⁵ the ability to rapidly process and make decisions with such voluminous information sets would become more difficult the more knowledge one possesses.¹⁶

¹² F.A. Hayek, *The Road to Serfdom* (Chicago: University of Chicago Press, 1944).

¹³ F.A. Hayek, “The Use of Knowledge in Society,” in *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948), 77.

¹⁴ Centralizing industrial planning entails keeping track of a staggering number of variables not only within the industry in question, but in all industries that may affect that industry. For instance, the Roosevelt administration learned shortly after implementing the (ultimately doomed, albeit tame by today’s standards) National Industrial Recovery Act, “the complexity of both the American economy and... the effort required to plan it... astonished those who had been eager advocates of the attempt.” Graham Jr., *Toward a Planned Society*, 28–29.

¹⁵ Economists responding to Hayek often argued that computer technology could hold all the relevant information. For a discussion, see Don Lavoie, *National Economic Planning: What is Left?* (Washington D.C.: Cato Institute, 1982).

¹⁶ Historians Larry Cuban and David Tyack have argued that at least one factor in k-12 education’s slowness toward change is the size of the bureaucracies involved. See David Tyack and Larry Cuban, *Tinkering Toward Utopia: A Century of Public School Reform* (Cambridge, MA: Harvard University Press, 1995). Similar arguments have been made since Hayek arguing that large bureaucracies tend to suffer from slowness owing to

Secondly, even if all relevant knowledge were capable of being centralized Hayek would not be satisfied. He writes, “One kind of knowledge, namely, scientific knowledge, occupies now so prominent a place in public imagination that we tend to forget that *it is not the only kind that is relevant.*”¹⁷ Hayek laments that “it is fashionable today to minimize the importance of the knowledge of the particular circumstances of time and place.”¹⁸ While scientific (or, technical) knowledge may be conveyed explicitly and, hence, centralized, Hayek correctly notes that we often undervalue or ignore the significance of the personal, tacit, or situational knowledge that often cannot be (easily if at all) articulated.

In a way similar to his colleague Michael Polanyi,¹⁹ Hayek argued that personal—or, “tacit”—knowledge is just as crucial for good decision making as is technical knowledge. We can think of personal/tacit knowledge as the kind of knowledge, in contrast to scientific or explicit knowledge, that is difficult to formalize via instructions or rules owing to its personal and often subconscious nature. In business, personal knowledge might range from a producer’s knowledge of the appetites of their customer base (and their changes over time), a consumer’s knowledge of their particular circumstances that might effect what they require in a product, or a distributor’s knowledge of what distribution methods are most appreciated by their customers. Even if the scientific knowledge—what products tend to sell best on average, aggregate customer trends, most “efficient” distribution methods—could be centralized, it is difficult or impossible to centralize the personal knowledge of each economic actor, rendering centralized planning less effective.

In the field of education, the role of local and personal knowledge plays as big a role. First, children and young adults are widely different in predilection, style of preferred learning, aspiration, predisposition, ability, etc. Whether or not the learning process (or parts of it) can be standardized and planned centrally seems doubtful given such wide variants among children and young adults. Attempts to centralize curricula by deciding on set things that all children must learn in school risk ignoring particularities not only of geography, but of local demand owing to cultural, economic, and other differences.²⁰ Attempting to centralize curricular decisions certainly overlooks

problems of coordination and communication. See Gordon Tullock, *The Politics of Bureaucracy* (Washington D.C.: Public Affairs Press, 1965).

¹⁷ Hayek, “The Use of Knowledge in Society,” 80.

¹⁸ *Ibid.*, 81.

¹⁹ Michael Polanyi, *Personal Knowledge: Towards a Post-Critical Philosophy* (Chicago: University of Chicago Press, 1958).

²⁰ When discussing whether cultural differences demand curricular differences, debates often focus on religious elements (whether, say, Amish or Muslim children should receive different educations than the “mainstream”). While these are important discussions, I would also ask such questions as whether rural students should receive (at

(if not denies the legitimacy of) the importance of parental demands and student interests, which may vary from area to area.

It is important to dwell a bit further on Hayek's above suggestion that not only will personal and local knowledge be difficult, if not impossible, to centralize, but that it will be "frequently contradictory."²¹ This adds another difficulty in trying to integrate all the information necessary to centralize local knowledge. Different businesses, based on local or personal circumstances, may prefer production method *x* to production method *y*, while another business elsewhere may prefer *y* to *x*. In the end, there may be no "best" production method overall, and both methods may have different strengths and weaknesses leading each business to prefer the one that best meets their *contradictory* needs (contradictory in that each business may produce the same product but have very different needs owing to various particularities).

In schools, not only may students in the same class have contradictory educational needs, but different schools may have different preferences on how to operate based on differences in student demographics, parent demand, or staff/faculty abilities. Schools, for instance, in an area where students come from families where parents work (maybe multiple jobs) might structure their school environment and policies differently than another school where students come from families where one parent commonly stays home. A curricular objective that works well in one locality because it speaks to a concern common in that locality may not work well in a locality where other concerns may be more urgent. In each case, it is not simply that the knowledge in each place is difficult or impossible to centralize, but that different schools may need to have different operating procedures based on knowledge of their circumstances that *contradicts* the knowledge that other schools possess about their circumstances.

Of course, one could agree with Hayek about the importance of local and tacit knowledge yet still experience reluctance at the idea of privileging the former over the latter, as Hayek seems to do. Yes, local and tacit knowledge have valuable roles to play, but there may still be reasons to place equal or more value on scientific and technical knowledge. First, leaving major decisions up to individuals and their local and personal knowledge may leave too much up to social capital, of which disadvantaged groups may have decidedly less than advantaged groups. If promoting equality of opportunity is a valid goal for schools to work toward (as I assume it is), could leaving decisions up to differently situated individuals simply increase the likelihood that the disadvantaged will remain disadvantaged, and so forth?

least partially) different educations than city students, given that their ways of life may be different.

²¹ See note 13 above.

Decentralization, though, does not mean we cannot or should not harness the knowledge of experts. Educational experts would still certainly be involved in designing and planning schools (that either compete with each other, as in a market, or work on a local level rather than a state-wide or national one). Similarly, educationists could still be consulted either privately (by individual families) or offer advice via “consumer” protection groups (websites, magazines, etc., that evaluate the quality of schools, or offer advice on how to decide between schools, etc.). In this way, scientific knowledge can and will be put to use, but in a way that allows the local knowledge of individuals (as consumers as members of a community) to put that knowledge to use.

While it is certainly possible that educational experts may be in a better position to plan or oversee students’ education than many parents, one must be careful here. First, it is likely that parents will have more incentive to think about and act in their children’s best interest than educational experts. The former are related to the children and arguably have more vested interests in making considered decisions for their children.²² Secondly, parents, not educational experts, are the best situated to see how their children respond to various approaches to education and know how any educational approach is working for their children at a given time.

Of course, some argue for the need for central planning (particularly regarding curricular objectives) precisely so that too much localism and variation is avoided. Theorists like E.D. Hirsch argue that education in a free society demands that there are certain educational objectives that all schools need share in common and that these can be determined by educational experts. Local diversity may be important, but common culture is more important.²³

Hayek understood that, like the arguments of Hirsch and others, arguments in favor of central economic planning often focused on a desire for constancy and standardization (contra unpredictability and wasteful competition).²⁴ Hayek suggested that the key difference between those who advocated central planning and others who advocated a decentralized market was “the significance and frequency of changes which will make substantial alterations of production plans necessary.”²⁵ While cognizant of the importance

²² An argument to this effect is developed in further detail in Stephen G Gilles, “On Educating Children: A Parentalist Manifesto,” *University of Chicago Law Review* 63, no. 3 (1996): 937-1034.

²³ See, for instance, E.D. Hirsch, *Cultural Literacy: What Every American Needs to Know* (New York: Vintage, 1988); E. D. Hirsch, *The Making of Americans: Democracy and Our Schools* (New Haven, CT: Yale University Press, 2010).

²⁴ For a clear example of this preference, see Wassily Leontief, “The Alternative to Not Planning May Be Chaos: A Conversation with Wassily Leontief,” *Business and Society Review* 17 (Spring 1976): 10-17.

²⁵ Hayek, “The Use of Knowledge in Society,” 81.

of stability in an economy, Hayek suggested that planning advocates often overemphasized the importance of stasis, while underemphasizing the importance of flux, in an economy. While stability in prices, say, is desirable, it ceases to be desirable when it is imposed onto a market, because there may often be reasons why prices should freely fluctuate (when new and cheaper production methods are invented, when consumer demand shifts owing to a new product entering the market, etc.). Stasis is good, but only when it occurs naturally as a result of myriad producers and consumers acting on what just happen to be stable conditions.

In fact, Hayek chooses to emphasize the importance of decentralization in economic decision making largely because he saw it as better equipped to deal with a world where circumstances often change and local/personal knowledge is an important part of any assessment.

It may seem absurd that in complex conditions order, and adaptations to the unknown, can be achieved more effectively by decentralizing decisions, and that a division of authority will actually extend the possibility of overall order. *Yet, that decentralization actually leads to more information being taken into account.*²⁶

As paradoxical as it may initially sound, allowing people to act on the knowledge they possess (and to choose to consult experts when they need more information) allows more information to be taken into consideration on the whole than limiting the amount of considered information to that which a planning board can entertain. In this way, people coordinate what they do with what others do, such that they learn in response to what they, rather than planners, know and/or anticipate their situations to be.

Hayek is arguing that decentralizing educational decision making will lead to more knowledge being taken into account overall in educational decisions. But, we can ask, is it the amount, or the quality, of knowledge that is important in educational decisions? If educational experts are allowed to make educational decisions for all, there is certainly a chance that they will consider less information overall than if everyone were making dispersed educational decisions, but that the information they do consider will be of higher quality. Yet, how are we going to know what information is the best to consider in an educational decision until after the decision is made and the results are seen? It may be only by allowing individuals to make their own decisions (being free either to talk with educational consultants and do research on their own to gain

²⁶ F. A. Hayek, *The Collected Works*, ed. W.W. Bartley, III, vol. 1, *The Fatal Conceit: The Errors of Socialism* (Chicago: University Of Chicago Press, 1988), 77. The “fatal conceit” in the title of this volume was the idea (which Hayek thought erroneous) that conscious designers can engineer social institutions more rationally than institutions can evolve culturally.

technical knowledge) that we can discover the information that proves crucial in making good educational decisions (and what a good educational decision is may even vary among different people).

Arguments for centralization of educational decision making often emphasize planning as necessary to maintain stasis and commonality in educational standards and procedures. Imposing uniform (curricular, procedural, etc.) standards will ensure that students receive similar educations in the interests of the public good. For example, E.D. Hirsch argues that

Theories of the choice movement [and the criticism can be applied to any system of localism] seem to adopt the optimistic faith that when a lot of parents make individual choice for their children, that will also be good for the public weal . . . Not necessarily. The public good needs to be considered in its own right.²⁷

We do not need to dispute whether there is a public good, in the sense of certain conditions that will benefit all or a significant majority alike. Yet, there are several Hayekian-inspired questions we can ask in response to this passage. First, why assume that the public good is constant and static enough to beg uniform (or semi-uniform) instruction to all? The Hayekian might suggest that public good may best be served by different individuals learning different things that utilize each of their strengths and take account of local and individual difference. Secondly, is there a compelling reason to think that educational experts (but not individual school administrators) are uniquely situated to recognize what is in this (seemingly static and conclusively identifiable) public good? Again, a Hayekian response might be to doubt whether this unduly privileges scientific/technical knowledge, or whether any account of the public good that does not take into account the wide array of local information possessed by individuals is accurately called “the public good.”

Hirsch, and other critics of educational decentralization, are also concerned that centralizing educational planning is necessary for the preservation of a common culture. We all benefit, it is argued, from knowing things in common, from how the U.S. government works to basic familiarity with arts and sciences. Without centralization, we run the risk of graduating students who share little, if any, knowledge in common, endangering not only our ability to effectively communicate with a wide range of others, but also our sense of cultural cohesion.

Two replies can be made. First, attempting to centralize educational (namely, curricular) decisions can only occur by trading off a degree of individual freedom (of individuals and families) to learn what they believe is

²⁷ Hirsch, *The Making of Americans*, 58.

important knowledge. While this is not an argument *against* such centralization, we must be cognizant that any step toward a common culture is a step away from individuals' educational freedom.

We can also reply by suggesting that insofar as communication with a wide variety of others is a necessary part of life, individuals will likely take it upon themselves to choose schools and educational experiences that enhance their ability to communicate with others. We can easily imagine that, even without compulsory education in a particular language, those who desire their children to communicate with those around them will take it upon themselves to choose schooling that teaches their children accordingly. The desire to raise children who can communicate with and live among others will provide a great many parents with the incentive to choose educational experiences for their children that teach the skills that will help toward that end.²⁸ In these ways, we can question both the desirability and necessity of centralized educational planning in order to achieve common cultural learning in the population.

A Hayekian approach to education would be to allow such local and personal knowledge to be taken into account by decentralizing decision making to levels where decision makers can more easily take local and personal knowledge into account and can more easily receive feedback from consumers or constituents, allowing individuals to adjust to changing circumstances much more readily than could centralized bureaucracies. As mentioned, such decentralization could either take place via markets (Hayek expressed qualified preference for a voucher approach)²⁹ or simply localized control of governmentally administered schools. Either approach would allow individuals to better create educational opportunities that take local and personal knowledge, and rely less on scientific and technical knowledge, into account.

CONCLUSION

Hayek's arguments around the "knowledge problem" were widely influential in the economic debate over the viability of socialistic economic planning,³⁰ but it also is relevant to current educational discussions. Given the increasing centralization of decision making in everything from curricular goals to the practices that teachers shall use in classrooms, Hayek's criticism of centralized planning can help add force to current critics of centralizing trends on both the "left" and the "right."

²⁸ This is to say nothing of the problem in determining, if common cultural information is taught, what should be taught and who should decide what is taught. See, particularly, Buras, *Rightist Multiculturalism*.

²⁹ F.A. Hayek, *Law, Legislation and Liberty*, vol. 3, *The Political Order of a Free People* (Chicago: University Of Chicago Press, 1979), 61.

³⁰ Don Lavoie, *Rivalry and Central Planning: The Socialist Calculation Debate Reconsidered* (Cambridge, UK: Cambridge University Press, 1985).

In this paper I have described Hayek's key arguments against central planning in economics and argued their applicability in these educational debates. In the end, I hope that this effort will encourage both proponents and critics of centralization of educational decision making to consider adding the ideas of Friedrich Hayek into their discussion.
