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Neoliberal Education Reforms and Debates around Neoliberalism:  
Finance-driven Reforms in Chilean Higher Education

A thesis submitted in partial satisfaction  
of the requirements for the degree Master of Arts  
in Education

by

Taiko Yusa

2012

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## ABSTRACT OF THE THESIS

Neoliberal Education Reforms and Debates around Neoliberalism:  
Finance-Driven Reforms in Chilean Higher Education

By

Taiko Yusa

Master of Arts in Education

University of California, Los Angeles, 2012

Professor Carlos A. Torres, Chair

This paper is a means of exploring how neoliberal education reforms have been implemented and what issues remain in education development as a product of those reforms. To examine neoliberal education reforms, this paper explores how international organizations such as the World Bank and international discourses in the international community influence education development and require developing countries to implement neoliberal reforms. I look to the work of Martin Carnoy (1995) “Structural adjustment and the changing face of education,” which categorizes the responses to neoliberal education reforms: competitiveness-driven reform, equity-driven reform, and financial-driven reform, as the theoretical framework. Chilean higher education reforms are analyzed as a case study. The paper concludes that neoliberal education reforms expanded the number of higher education institutions and achieve efficiency and

effectiveness in higher education; however, public universities have lost their autonomy and access inequity and quality assurance of higher education have been remained.

The thesis of Taiko Yusa is approved.

Edith Mukudi Omwami

John N. Hawkins

Carlos A. Torres, Committee Chair

University of California, Los Angeles

2012

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## Acronyms

|         |  |
|---------|--|
| BHN     | Basic Human Needs  |
| CONFECH | Confederation of Chilean Student Federations<br>( <i>Confederación de Estudiantes de Chile</i> ) |
| ECCE    | Early Childhood Care and Education   |
| EFA     | Education for All  |
| EOI     | Export Oriented Industrialization  |
| GDP     | Gross Domestic Product   |
| HDI     | Human Development Index  |
| ILO     | International Labour Organization  |
| IMF     | International Monetary Fund  |
| ISI     | Import Substitution Industrialization  |
| MDGs    | Millennium Development Goals   |
| NIEO    | New International Economic Order   |
| NIE     | New Institution Economics  |
| NIES    | Newly Industrial Economies   |
| PRSP    | Poverty Reduction Strategy Paper   |
| SALs    | Structural Adjustment Loans  |
| SAPs    | Structural Adjustment Policies   |
| UN      | United Nation  |
| UNDP    | United Nations Development Programme   |
| UNESCO  | United Nations Educational, Scientific and Cultural Organization                                 |
| UNICEF  | United Nations Children's Fund   |

UPE Universal Primary Education

WWII World War II

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development economics which were fundamental to mine and other undergraduates' education. Coming into contact with his great works and his passion for research in developing countries is one of the reasons that I became interested in development issues. After struggling with ill health, he passed away on May 21, 2012 as I completed this thesis. He will be deeply missed by his students and colleagues.

Lastly, I offer my regards and blessings to all of those who supported me in any respect during the completion of this thesis.

Taiko Yusa

# 1. INTRODUCTION

Education has been viewed in many ways, from a human right to an investment to human capital in the world. Education gives people opportunities to enrich their life by realizing social mobility and many people pursue education as one of the way to solve social issues such as inequity in society, low economic development, juvenile delinquency, unemployment, poor public health, and violence. Moreover, education plays an essential role in society by promoting individuals' self-realization, and supporting national economy, providing human capital, advancing democracy, and strengthening nation's unity.

During the twentieth century, education in developing countries drastically improved and expanded. The years of obligatory schooling have been extended and an increasing number of families are receiving primary education. Additionally, more and more children with learning difficulties and disabilities are receiving appropriate education. Opportunities for education for the poor, immigrants and indigenous people, and females have improved since the nineteenth century.

Latin American countries also drastically improved their education and many Latin American countries achieved a literacy rate of more than 90 % in the twentieth century. Their economies have developed; however, serious an income gap between privileged and marginalized people has remained in Latin American countries. Almost all of Latin American countries record around 50 in income Gini coefficient<sup>1</sup> 2000-2011, 58.5 in Colombia, 57.7 in Honduras, 57.3 in Bolivia, 53.9 in Brazil, 53.7 in Guatemala, 52.8 in Suriname, 52.3 in Panama,

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<sup>1</sup> It is a measurement which was invented by mainly Italian statistician Corrado Gini in 1936 to mainly indicate inequality of income distribution in society. The range of coefficient is 0-100, zero means less inequality and numbers which are closer to one hundred means the social gap is big.

52.3 in Nicaragua, 52.1 in Chile, 52.0 in Paraguay, 51.7 in Mexico, 50.3 in Costa Rica, 49.0 in Ecuador, 48.4 in Dominican Republic, 48.0 in Peru, 46.9 in El Salvador, 45.8 in Argentina, 45.5 in Jamaica, 43.5 in Venezuela, 43.2 in Guyana, and 42.4 in Uruguay.

Developing countries have improved their own educational systems, but they have also been helped by the international community and outside organizations, whose efforts have focused on tackling some of these issues. The international community and organizations have assisted developing countries by providing aid, lending money, holding international conferences in order to gather the latest contributions of the international community. Receiving aid and lending money from international organizations such as the World Bank require developing countries to follow their policies and theories. The trend of development economics, which the World Bank follows, significantly influences developing countries. Additionally, influential international discourses cannot be neglected when considering education development in developing countries.

Neoliberalism became the mainstream ideology in the World Bank from the 1980s as a condition for lending developing countries money to relieve their financial crises. Neoliberal policies have insisted on developing countries opening their markets because “markets are more versatile and efficient than the bureaucratic structures of the state for numerous reasons. Markets respond more rapidly to technological changes and social demand than the state. Markets are seen as more efficient and cost-effective than the public sector in the provision of services. Finally, market competitions will produce more accountability for social investments than bureaucratic policies” (Torres 2002, pp. 375). Neoliberalism has affected not only on nation’s economy but also social sector such as education, health, and welfare.

In this paper, the implementation of neoliberal education reforms, which has been

strongly recommended by international organizations such as the World Bank, is examined. Methodology of this paper is explained in chapter two. As the conceptual framework to analyze neoliberal education reforms, the work of Carnoy (1995) is employed and analyzes Chilean higher education reforms as a case study. To understand the important trend of development economics, Chilean higher education reforms, and debates around neoliberal education reforms, this paper mainly takes advantage of secondary sources, academic papers and publications. In chapter three, the conceptual framework is described. The framework is based on the work of Carnoy (1995), which categorizes of responses for neoliberal reforms in the education sector according to three types: (a) competitiveness-driven reforms, (b) finance-driven reforms, and (c) equity-driven reforms. The following chapter four reveals the trend of development economics and of international discourses in chronological order. It is important to understand how trends in the international community and policies in developing countries agree with each other. In chapter five, neoliberalism in education and influence of the World Bank are described. As a case study, the Chilean higher education reforms are examined in chapter six. The Chilean government has implemented financial-driven reforms in its higher education since the 1980s. As a result, the reduction of costs and shifting public funding, decentralization, and privatization are realized in Chilean higher education. Lastly, debates around neoliberal education reforms are outlined in chapter seven.

This paper allows me to thoughtfully explore neoliberal education reforms through Chilean case study. Neoliberal education reforms have seemingly achieved efficiency, effectiveness, and quantitative expansion of higher education; on the other hand, it is still difficult to deliver higher education to marginalized people because of a lack of equity to access higher education. Furthermore, neoliberal education reforms could not guarantee the quality of

education.

## **2. METHODOLOGY OF THIS PAPER**

This paper examines the implementation of neoliberal education reforms, which has been strongly recommended by international organizations such as the World Bank, and the impact on the Chilean society by analyzing the higher education reform. This paper mainly takes advantage of secondary sources, academic papers and publications. Academic papers and publications are used to understand the definition of neoliberalism and its impact on Chilean higher education. Additionally, to understand the important trend of development economics, which international organizations such as the World Bank has followed, this paper describes the trend of development economics with historical analysis in the international community. To analyze neoliberal education reforms, this paper uses the Chilean higher education reforms as a case study. Also as the conceptual framework to analyze the Chilean higher reforms, the work of Carnoy (1995) “Structural adjustment and the changing face of education,” which categorizes three kinds of response against neoliberal reforms, is employed in order to examine their reforms and impact in practice. Finally, several academic papers are used to reveal debates around neoliberal education reforms.

### **3. THE CONCEPTUAL FRAMEWORK**

Neoliberalism has been raised as one of theories and ideologies to achieve economic development in order to improve human life in countries. Neoliberal reforms have been implemented across several sectors in both developed and developing countries.

In this chapter, three kinds of responses against neoliberal reforms in the education sector, which are categorized by Carnoy (1995), are described: (a) competitiveness-driven reforms; (b) finance-driven reforms; and (c) equity-driven reforms. Reforms have been implemented relying on economic trend, especially neoliberalism, in the education sector recently. These categorizes are employed to analyze practical education reform, the case of Chilean higher education reforms in the following chapters.

Many developing countries have adopted neoliberal reforms, particularly finance-driven reforms in the education sector. These countries have done so, not solely as a decision made by their governments, but also strongly influenced by the theories and policies of international organizations such as the World Bank. Developing countries have faced financial shortage and instability in their macro economies. Therefore, developing countries need to borrow money from international organizations and acquire supports to maintain a sustainable economy in order to achieve economic development. Borrowing money and receiving supports from international organizations means developing countries are supposed to accept each organization's theory and policy, which subsequently come with loans and supports.

#### **3.1 Competitiveness-Driven Reforms**

The idea of competitiveness-driven reforms is to improve the quality of education, high

translated as producing high learning achievement, which is measured by standardized tests and certain skills to apply to the job market. Carnoy (1995) classifies competitiveness-driven reform into the following four areas: “(a) decentralization; (b) centralization; (c) improved resource management; and (d) improved recruitment and training of teachers” (pp. 658).

Competitiveness-driven reforms proposes decentralization to countries that have implemented centralized education in order to improve responsibility of municipalities and schools by passing the autonomy of decision-making from the central governments to local governments. Reformers have also encouraged introducing public-school choice and the privatization of education because they believe competition between schools will advance the quality of education and motivate teachers to avoid loss of students and parents. In this conceptualization of schooling, students and parents choose schools as consumers of education.

On the other hand, reformers recommend centralization to states. They encourage states to implemented decentralized formal education while simultaneously seeking to control and reestablish schools with a set of learning standards that will facilitate high learning achievement. Indeed, some countries where formal education is centralized demonstrate high learning achievement on the whole.

Moreover, progress of educational resources management has been promoted by raising effectiveness and efficiency of the use of resources in order to elevate learning achievement at a comparatively low cost. Improved management of educational resources signifies not only increasing effectiveness of education in the extant educational institutions but also the expansion and improvement of basic education, which has been strongly recommended by the World Bank. The World Bank has made such recommendations “because the pay-off – the “social rate of return” to resources invested at that level – is higher than to resources invested at the secondary

and higher levels” (Carnoy 1995, pp.660).

Finally, it is important to improve teacher recruitment and training by enhancing their salary, autonomy, and status in society because teachers play crucial roles in educational institutions and impact both the quality of education and students’ learning achievement. Therefore, teacher’s education programs are emphasized as one of the most effective and efficient methods to develop their knowledge as a profession and regard by society.

### **3.2 Equity-Driven Reforms**

The education reforms have also been implemented on the basis of equity-driven reforms to expand the access to education. International organizations have strongly supported distribution of primary (basic) education both as a human right, as an efficient investment mechanism for economic growth, and also as an instrument of social mobility to enrich the quality of life. The main achievements of equity-driven reforms in developing countries are: (a) to provide the lowest-income groups with high-income groups via high-quality basic education, especially the large number of youths and adults who do not currently have access to basic skills; and (b) to reach certain groups who lag behind educationally, e.g. women and rural populations (Carnoy 1995, pp. 663-664).

As will be argued in further detail in section, financial-driven reforms, investing in higher education means that the government allocates financial support for people who have the privilege to access higher education and can supply tuition themselves instead in people who cannot even access primary education. Alternatively, equity-driven reforms relocate public resources from a high-income group to a low-income group. Moreover, equity-driven reforms sometimes focus on not only the equity of financial distribution but also the quality of teachers,

the time teachers spend in schools, the school materials, and the school curricula.

Equity-driven reforms consider delivering basic education to certain marginalized groups in order to maximize effects of education in society. For instance, women's education is significant because of "the crucial role that women play in economic development, social change, raising children and decisions about fertility. High fertility rates and low life expectancies at birth are both associated with high rates of female illiteracy" (Carnoy 1995, pp. 664). Additionally, rural populations in developing countries have received low quality and quantity of education, even though education levels impact on agricultural productivity. Equity-driven reforms target "at risk", minority, and special needs student as well.

### **3.3 Finance-Driven Reforms**

Finance-driven reforms require states to reduce the cost of public service in order to stabilize their macro economy and stimulate their micro economy. These reforms have been mainly advocated by the World Bank for developing countries, which need to borrow money from it. According to Carnoy (1995), finance-driven reforms have concentrated on the following three areas in the past decade: "(a) the shift of public funding for education from higher to lower levels of education; (b) the privatization of secondary and higher education in order to expand those levels; and (c) the reduction of cost per student at all schooling levels of education, chiefly through control of the growth of salary costs by lowering qualification requirements, by increasing class size in primary and secondary education where student/teacher ratios are under 45 and/or by a more intensive use of teachers" (pp. 662).

Financing lower levels of education is less expensive than financing higher education and provides education to larger numbers of student. The cost of running public universities is

expensive in many countries. Typical higher education costs include subsidies for students but also inefficient management in administration. The problem is that these expenditures take away from teaching and research. Additionally, financing higher education means allocating a high portion of expenditure for a few privileged students who can access higher education, even though the countries which have facing the greatest financial problems cannot provide enough primary education, have low quality of education, and have high dropout rates.

The privatization of secondary and higher education has been recommended for meeting increased demand for higher levels of education in many countries because states have struggled with the shortage of finances to expand those levels of education. These reforms require a greater proportion of user fees to contribute to the financing of schools. Privatization may be implemented the following two ways: “(a) by allowing the creation of far more accredited private secondary schools and universities; and (b) by increasing fees charged to students to cover the gap between the cost per student and public assistance per student” (Carnoy 1995, pp. 662). Additionally, international organizations have encouraged the community to participate in school management.

The reduction of costs per pupil at all schooling levels is advocated by the World Bank in mainly the following three points: “holding down the overall salary bill, increasing class size and making greater use of teaching in shifts” (Carnoy 1995, pp. 663). Increasing the ratio of pupil to teacher means that the state saves public resources without decreasing the quality of education according to the World Bank. A World Bank analysis shows the ratio of pupil to teacher does not significantly effect learning achievement within the classes whose sizes range from 20 to 45 pupils per teacher. Moreover, the Bank has advocated to form double or triple teaching shifts because using shifts “would reduce the demand for teachers and allow for much

more public spending on ‘high-yield, low-cost’ resources (such as books and other supplies, or in-service training) that complement and enhance good teaching” (Carnoy pp. 663). Furthermore, the Bank has advised lowering qualification requirements to be teachers to cut their salaries.

Finance-driven reforms in higher education are understood as a political intervention exacted upon national governments and academic communities. Those reforms would drastically change the system of higher education in many countries because the reforms “may involve reducing the size or the rate of growth of the commitment of public resources for higher education, re-distributing the public and private costs of higher education and/or manipulating the criteria used to allocate public resources to institutions and students” (Eisemon and Holm-Nielsen pp. 410).

#### **4. THE TRENDS OF DEVELOPMENT ECONOMICS THEORY AND OF INTERNATIONAL DISCOURSES IN EDUCATION DEVELOPMENT**

One of the reasons developing countries have adopted neoliberalism is the pressure from international organizations, especially the World Bank, which is the biggest money-lender in the world. The trends seen in development economics theory, which the World Bank follows, and the presence of international aid strongly influence education policies in developing countries including those in Latin America. Because developing countries do not have enough monetary funds to build sustainable education systems themselves, many countries rely on international aid, which subsequently imposes with each organization’s theory and policy on the country’s

education system.

In this chapter, the trends of development economics theory and international discourses are described in chronological order to understand how the international community has impacted developing countries. It is very important to focus on international discourses because these discourses demonstrate trends and the major considerations pertaining to the education sector in each period.

In the 1950s, the international community, particularly the World Bank, focused on economic development, believing that economic development would reduce poverty. However, economic development could not solve all issues that belonging to poverty. From the middle of the 1970s, social inequity and failure to meet Basic Human Needs<sup>2</sup> (BHN) have been pointed out in the international community. Also, lack of capital and human resources in developing countries are recognized as reasons that developing countries cannot adequately tackle their social issues. Financial crisis in the 1980s caused many developing countries to accept neoliberal policies, which the World Bank has strongly supported and recommended, in developing countries. The influence of neoliberalism has remained in international aid and policies in developing countries.

Significantly, the international community started to focus on basic education and set a goal Education for All (EFA) in 1990. The international community has struggled to achieve EFA during the past two decades. Recently, the international community has broadened its targets from Universal Primary Education (UPE) to the quality of education because current research illustrates the importance of the quality of education in order to develop a country's economy. Moreover, the international community has pointed to the essential role of early childhood education in children's cognitive skills and has begun to put serious effort toward improving

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<sup>2</sup> BHN is defined by International Labour Organization (ILO) (1976)

early childhood education.

#### **4.1 The Trends of Development Economics Theory and the International Discourses**

The development economics theory, which the World Bank particularly follows, has had enormous power over education policies in developing countries. Also, the international discourses in education have played essential roles.

Many colonies worldwide became independent from colonizing nations and tried to develop their economies through structuralism, which was the trend of development economics theory during the 1950s to the 1960s. The structuralism economists assumed that developing countries were under the vicious circle of poverty<sup>3</sup> (Figure 4.1) because of the lack of capital savings to industrialize the national economy. Around the same time, investment made on education was beginning to be understood as one of the most important issues for both building an independent state and growing human capital that would be beneficial to developing social welfare and the economy. Soon, the international community and organizations started to focus on investment in education. The United Nations Educational, Scientific and Cultural Organization (UNESCO) held an international conference in each region (in the 1950s in Latin America and the 1960s in Asia and Africa) and decided upon the importance of widespread primary education by 1980 in Asia and Africa and by 1970 in Latin America. As a result, primary education expanded drastically and enrollment in primary schools increased throughout the world.

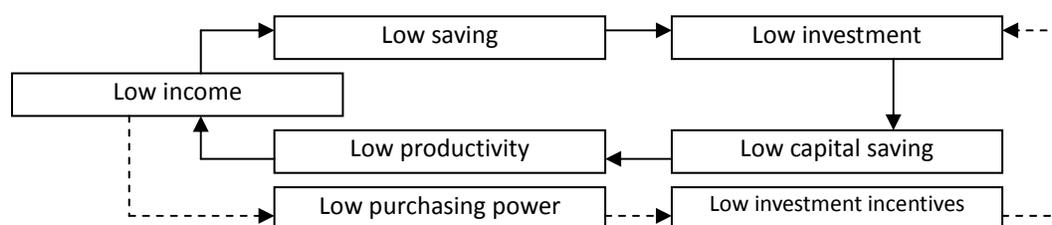
Although some developing countries achieved high economic growth per year in the 1960s, the number of people who lived in absolute poverty increased and the gap between the rich and the poor expanded in developing countries. The industrial growth between developed

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<sup>3</sup> Nurkse (1953)

and developing countries also widened. In the 1970s, the international community focused on addressing these problems by putting human needs first instead of economic development. Dependency theory<sup>4</sup> and world-systems theory<sup>5</sup> emerged and brought new dialogue to the field of social development, endogenous development, and justice realization as it is evident in the New International Economic Order<sup>6</sup> (NIEO) in the international community. Reformism, which asserts expansion of employment, equitable income distribution and sufficiency of BHN in the World Bank, also began to receive international recognition around the same time. Reformism attributes the inability of developing countries to end poverty to not only the lack of capital savings but also to the lack of human capital. Instead, reformism emphasizes the government function to improve education, health care services, and increase labor-intensive industries in order to promote employment.

**Figure 4.1: The Vicious Circle of Poverty**



Source: Kuchiki, Nogami and Yamagata (1997)

<sup>4</sup> The theory which thinks about economic development in developed countries related with underdevelopment in developing countries. The theory argued that the dependency to developed countries by developing countries should break to resolve underdevelopment in developing countries.

<sup>5</sup> The theory which considers about the modern history by thinking that the world is one system does not make up by independence countries.

<sup>6</sup> The NIEO was set as proposals during the 1970s by some developing countries in United Nations Conference on Trade and Development to promote their interests to change international economic system in favor of developing countries.

However, reformism declined rapidly in the early 1980s because of the international financial crisis. The debt crisis that occurred in Mexico in 1982 proved that the debt crisis in developing countries would cause cumulative debt in the international financial system. Developing countries such as those in Latin America that embraced the BHN approach and Import Substitution Industrialization (ISI) suffered in terms of economic growth. By contrast, Newly Industrial Economies (NIES) achieved a high economic growth rate by embracing Export Oriented Industrialization (EOI) during this crisis. As a result, reformism lost its place as the main development economics theory, and was replaced by the neoliberal approach.

Neoliberalism became the mainstream ideology in the World Bank between the 1980s and the early 1990s. The neoliberalism approach leaves all economic responsibilities in each nation's market mechanism and allows for the natural adjustments of supply and demand. The World Bank changed its financing policy from smaller project-based financial assistance to more macro economic program based loans. These program based loans operated on the basis of the neoliberal approach and requested to conduct market liberalization for numerous developing countries by financing similar Structural Adjustment Loans (SALs) throughout the world. SALs were seen as appropriate for every country since neoliberalism believes that the market mechanism is inherent and universal in every society.

Neoliberalism overwhelmingly lingered in the policies of the World Bank, even though the World Bank stated that the main development economic theory in the 1990s changed from neoliberalism to New Institution Economics (NIE), which focused on the social and legal standards and regulations that underlie economic activities. The issue of poverty reduction became immobile again because almost all of the economic performance in developing countries, except NIES, slipped and faced debt crisis. Poverty ensued even though many developing

countries had embraced the neoliberalism policy.

The World Conference on EFA in Jomtien<sup>7</sup>, Thailand in 1990 was an important event that continues to gain interest and support for improving basic education. Representatives of the international community (155 countries, as well as representatives from some 150 organizations) participated in this conference because economic crisis in Africa and Latin America foreshadowed the popularization of basic education in these regions. The conference confirmed the importance of basic education and set global goals to realize EFA. This conference has played a crucial role in education development because this was the first international event that recognized basic education both as a human right and also as an efficient investment mechanism for economic growth in developing countries. Finally, education policy in developing countries and aid policy in the international community have agreed on one definite goal of EFA.

The international community held the World Education Forum in Dakar, Senegal in 2000 as the follow-up event to the World Conference on EFA in Jomtien because EFA was not achieved globally by 2000. At the World Education Forum, the international community established the six new goals: (1) Expand early childhood care and education; (2) Provide free and compulsory primary education for all; (3) Promote learning and life skills for young people and adults; (4) Increase adult literacy by 50 per cent; (5) Achieve gender parity by 2005, gender equality by 2015; and (6) Improve the quality of education as the Dakar Framework for Action. In this forum, the international community agreed with not only the expansion of access to education but also the improvement of the quality of education.

In addition, the international community set eight additional Millennium Development Goals (MDGs): (1) Eradicate extreme poverty and hunger; (2) Achieve UPE; (3) Promote gender

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<sup>7</sup> It was held by the World Bank, UNESCO, United Nations Children's Fund (UNICEF), and United Nations Development Programme (UNDP).

equality and empower women; (4) Reduce child mortality rate; (5) Improve maternal health; (6) Combat HIV/AIDS, malaria, and other diseases; (7) Ensure environmental sustainability; and (8) Develop a global partnership for development. MDGs have aimed to achieve universal primary education and gender equality by utilizing partnership in the world in the education sector by 2015.

EFA Global Monitoring Report 2005 (2004) by UNESCO strongly focuses on the quality of education because “quality is at the heart of education. It influences what students learn, how well they learn and what benefits they draw from their education. The quest to ensure that students achieve decent learning outcomes and acquire values and skills that help them play a positive role in their societies is an issue on the policy agenda of nearly every country” (UNESCO 2004, back cover). Here, the transition of focus on access to education to the quality of education is observed in the international community.

The importance of quality in education is also emphasized in EFA Global Monitoring Report 2008 because recent research shows that “quality in education may have a stronger impact on economic growth than total years of schooling” (UNESCO 2007, pp. 10). Moreover, Early Childhood Care and Education (ECCE) became to be recognized significant education by the international community as “early childhood is a critical period for the acquisition of cognitive skills” (UNESCO 2007, pp. 9).

## **5. NEOLIBERALISM AND THE WORLD BANK**

Neoliberalism, a theory and an ideology, has influenced not only nations’ economy but also

social welfare. Neoliberalism promotes open market, free trade, and economic liberalization and small government, which is recognized as the best form of government because it minimizes government intervention, which distorts market mechanisms, in the market. Additionally, governments that follow neoliberal policies reduce their expenditures in the social welfare sector such as health and education. In the education sector, governments have implemented cost reduction by introducing private resources and allocating less overall resources. Further, neoliberalism has emphasized individual responsibility for results that have been led by each choice relying on free will of individuals. As an effect of neoliberalism, the income gap among individuals and between nations has increased and capitalism has deepened. On the other hand, competitiveness in society, which neoliberalism has recognized as the key to realize efficiency and effectiveness, has broken solidarity within societies.

The World Bank as the biggest single donor for developing countries plays significant role to strengthen neoliberalism in developing countries. The World Bank follows the trends of development economics theory, which is neoliberalism since the 1980s, and lends money for developing countries with conditions. Lending money from the World Bank requires developing countries to implement neoliberal reforms from economic policy to education policy. Latin American countries are countries that are forced to reform their education policies on the basis of neoliberalism because Latin American countries borrow money from the World Bank.

The World Bank has laid stress on education development in developing countries recognizing education as an investment in human capital in order to develop nations, even though some organizations have considered education as a human right. Considering education as an investment in human capital requires measuring its achievements to meet accountability for that investment. It appears useful and easy to measure the educational achievements of nations'

schools in order to meet accountability; however, it is important to regard the ways in which measuring the quality of education in different social contexts should reflect the complexity of the education process. Accountability measures have reflected large deficits in their ranking systems and biases based on the educational presumptions of Western industrial countries.

The international community emphasizes ownership and partnership between developing countries and donors to achieve poverty reduction and overcome other global issues in the world. However, I cast doubt on what ownership is, since financially powerful donors have manipulated education policies in developing countries. Thus, donorship and the trends of aid contribute to establishment of certain education policies throughout the history of international aid. It is important to truly shift donorship to partnership in order to develop nations' education systems.

## **5.1 Neoliberalism in Education Policies**

Neoliberalism is described as a theory and an ideology that maximizes profit relying on free competition in the market and requires nations to implement open market, free trade, and economic liberalization. Neoliberalism promotes small government, which provides minimum social welfare programming and places increased responsibility on individuals. On the basis of Laissez-faire economic policy, neoliberalism considers that the market system appropriately works itself to stimulate free competition in the market, and thus it is unnecessary that governments intervene in order to promote free competition in the market. For example, Harvey (2005) clearly defines neoliberalism in terms of a relationship between the market and state:

“Neoliberalism is in the first instance a theory of political economic practices that proposes that

human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices. The state has to guarantee, for example, the quality and integrity of money. It must also set up those military, defense, police and legal structures and functions required to secure private property rights and to guarantee, by force if need be, the proper functioning of markets. Furthermore, if markets do not exist (in areas such as land, water, education, health care, social security, or environmental pollution) then they must be created, by state action if necessary. But beyond these tasks the state should not venture. State interventions in markets (once created) must be kept to a bare minimum because, according to the theory, the state cannot possibly possess enough information to second-guess market signals (prices) and because powerful interest groups will inevitably distort and bias state interventions (particularly in democracies) for their own benefit” (pp. 2).

Chile is the first country where neoliberal policy was implemented to overcome its debt crisis in the 1970s. In developed countries, Margaret Thatcher and John Major in the United Kingdom, Ronald Reagan in the United States, and Yasuhiro Nakasone in Japan introduced neoliberal policy in the 1980s.

As previously argued, neoliberalism has affected not only nations’ economies but also their social welfare programming it provides its citizens. The social welfare sector has also been forced to reduce its expenditures and has been setback from making any improvement. In the education sector, governments, which employ neoliberal policies, encourage education institutions to diversify their resources by raising fund in private sector instead of having public

resources. Governments reduce costs per pupil to efficiently and effectively allocate resource as well. Moreover, neoliberalism has emphasized individual responsibility for each choice made in accessing social welfare, for instance in selecting and affording school.

As a result, neoliberalism exacerbates the income gap between not only individuals but also nations, deepening the effects capitalist competition. Education becomes a tool to harness individuals' success and people consider that access to higher and "good" education signifies an increase in opportunities to grab the "good" life. By contrast, the progression of competitiveness between individuals has broken solidarity in society.

## **5.2 Neoliberalism and the World Bank**

The World Bank and the International Monetary Fund (IMF) play significant role to strengthen neoliberalism in developing countries because they follow the trends of development economics theory and believe that economic growth can reduce poverty and raise the quality of life. Furthermore, "since the Bretton Woods conference in 1944, in which IMF and the World Bank were founded, national trade barriers have been eroded, and global economic forces have played a more significant role in local economies" (Torres and Schugurensky 2002, pp. 430). The World Bank admitted the failure of SALs; however the World Bank requires developing countries to submit the Poverty Reduction Strategy Paper (PRSP). The PRSP: "requires governments to formally integrate social development goals with plans for macroeconomic stability, liberalization and debt repayment into a medium-term expenditure framework" (Mundy 2006, pp. 35). Torres (2002) explains the World Bank as: "it is a lending agency, not an agency that offers donations...Since its creation in 1962; the WB (World Bank) has been interested in promoting economic growth through capital investment" (pp. 374). Torres and Schugurensky (2002)

describe the World Bank as the significant player in the international community and for developing countries' policies:

“In recent decades, the importance of the World Bank in education has significantly increased: while in the 1970s the dominant donors of multilateral official development assistance were United Nation (UN) organizations, in the 1980s the World Bank’s combined disbursements have been almost double those of the UN and its organizations, not so much, however, due to a sizable increase in World Bank’s funding in education but due to a significant decrease in the late eighties and early nineties of disbursements to education by UN organizations. Patterns of financing for technical co-operation have also changed dramatically over the same period, and the World Bank has become the most important single source of multilateral technical co-operation and the lead agency in setting the education and development agenda” (pp. 438).

The World Bank has been the biggest single donor for developing countries and lends money for developing countries which are facing a budget shortage on two conditions: privatization and the reduction of public spending. This means if developing countries want to borrow money from the World Bank, they are supposed to follow these conditions of the World Bank, which “reflects the neo-liberal perspective, plays a central role in the globalization of capitalism” (Torres 2002, pp. 373). As a result of borrowing money from the World Bank, developing countries should reform their policy from economic to education within the neoliberal perspective, which the World Bank follows.

In the case of Latin America, education policies were changed drastically from a liberal state to a neo-liberal state because of external loans from the World Bank. A central component

of external loans in educational policy is an ethos and model of privatization reflective of a neoliberal state in which a prominent role played by the World Bank. A central element for understanding the development of neoliberalism is the globalization of capitalism. Neoliberalism or the neoliberal state emerged in Latin America in the past two decades and neoliberal states promote notions of open markets, free trade, the reduction of the public sector (including education), the decrease of state intervention in the economy and the deregulation of markets like structural adjustment programs which are recommended by the World Bank, the IMF and other financial organizations (Torres 2002).

### **5.3 Education as Human Capital or Human Rights**

The question is whether education is human capital or a human right. Some organizations have considered education as part of human rights; on the other hand, some organizations such as the World Bank strongly have focused on education as human capital, which can trigger economic development in developing countries. According to Mundy (2006), “although the notion of a universal right to education and of mass public education figured strongly in the international discourse (for example, in the UN Charter, UNESCO’s mandate, and host of international declarations at regional meetings of developing country governments in the 1950s and 1960s) this was not what was supported by major flows of funding or technical expertise” (pp. 25).

As Mundy describes above, the World Bank has invested in the education sector on the basis of human capital theory, which defined humans as resources for labor market, even though the international discourses and the World Bank describe education as human rights in their meetings, programs and projects. The World Bank is only interested in economic development, which can trigger the reduction of poverty. In other words, the final objective of the World Bank

is economic efficiency, freeing markets and the globalization of capital by promoting policies of “the democratization of schooling, supporting the education of women and females (in the best of the liberal tradition), basic education and the quality of education” (Torres 2002, pp. 375) in terms of specific educational policies. As a result, educational achievements are very important and the World Bank has overemphasized the use of quantitative methods to determine achievement by using strictly economic criteria (such methods have also been adopted by other international organizations such as UNESCO and donors).

Measuring educational achievements seems to be useful and easy in fulfilling accountability mandates; however, the various numbers in a data sheet cannot always show the quality of education, which might be different in each nation. Such data cannot sufficiently be used to conclude whether the quality of life has been improved by education without considering social contexts in the nation. Using numbers to measure achievements means that countries will be ranked against one another. Moreover, indicators for educational achievements are set by Western industrial countries by standardizing the capacities which can apply to the global market as human capital.

#### **5.4 Ownership and Partnership**

Ownership and partnership are identified as the essential components to poverty reduction process in developing countries in EFA. According to Mundy (2006), “the terms ‘partnership’ and ownership are central to EFA harmonization endeavors but remain contested (OECD 2005)” (pp. 23). It is clear that the international community will not be able to achieve MDGs by 2015. In order to continue working towards MDGs, the international community must build positive partnerships among its members and confront poverty and other pertinent global issues in the

world.

However, I question what ownership is. McCormick (2012) argues that “‘Ownership’, while regularly acknowledged as a precondition for the quality and sustainability of aid interventions, is often considered too strong a term given concern over weak state finance and governance capacity and is regularly substituted by leadership” (pp. 23) and “‘ownership’ is rendered ambiguous through use of the passive voice and, ironically, a promised shift away from ‘donorship’ itself externally imposed” (pp. 31). In the history of international aid, financially strong donors such as the World Bank have manipulated education policies in developing countries “particularly in contexts of high dependency on donors’ expertise as much as funds” (McCormick 2012, pp. 40).

The international organizations, the World Bank, UNESCO, and UNICEF raised its aid in the education sector for developing countries year by year. Additionally, international discourses such as the World Conference on EFA in Jomtien have contributed to concentrating aid and establishing trends of aid. “Financially powerful donor and state discourses maintaining an economically instrumentalist focus on UPE Statistics, over holistic EFA approaches to education systems, have contributed to the subordination of early childhood, adult literacy and, ultimately, educational quality” (McCormick 2012, pp. 40). Education policies in developing countries are constituted by donorship and the trends of aid trigger concentration on specific levels of education.

Asiedu and Nandwa (2007) examined the effect of education aid on growth in their work and concluded that “the effect of aid depends on the level of development of the recipient country (low and middle income) as well as the level of education at which aid is being targeted (primary, secondary, or higher)” (pp. 646). Since each developing country has a different social

context and is in different level of development process, I believe that shifting donorship to partnership will contribute to improve education in developing countries.

## **6. HIGHER EDUCATION REFORMS IN CHILE**

Education in Latin American countries is drastically developed in last decades. Formal education which was imported by colonizing European countries in order to distribute their languages and cultures reaches much more people these days compared to the colonial period. However, Latin American countries have endured several issues: low education levels compared to high income, the quality of education, and high repeat and dropout rates. Latin American countries still need to focus on education development.

In this chapter, Chilean higher education reform is examined as an example of finance-driven neoliberal reform, which defines Carnoy (1995) as one of three kinds of responses against neoliberal reforms in the education sector.

Higher education reforms in Chile have been described successful neoliberal reforms since the 1990s, and also “(t)he restructuring of the Chilean university is being carefully observed by other Latin American governments as a model to follow” (Torres and Schugurensky 2002, pp. 445). The access for higher education was limited; only upper-class whites could enjoy the privilege to access higher education. There were only eight universities, two public and six private universities, and private universities received public resources as well as public universities before the 1980 education reform in Chile. In the 1980 education reform, the military regime of Augusto Pinochet (1973-1990) implemented neoliberal education reform by focusing

on efficiency and effectiveness. The following regimes have also continued neoliberal education policies. As a result, the number of universities drastically expanded; however, several issues such as access inequity for higher education and the quality of education remained.

The Chilean government has implemented neoliberal education reforms by focusing on the following three areas: the reduction of costs and shifting public funding from higher to lower levels of education, decentralization, and privatization. Furthermore, the influence of international organizations such as the World Bank to promote neoliberal reforms cannot be neglected because Chile borrowed money from the World Bank to overcome its debt crisis in the 1980s.

## **6.1 Education Development in Latin America: Overview**

Formal education was recognized as a human right in European countries after the French Revolution in the eighteenth century. Formal education became accessible for all citizens. Many colonizing European countries imported and maintained formal education by distributing suzerains' languages and cultures in their colonies as a colonial policy in order to strength their control. As a result, formal education began to be in conflict with human rights in Europe, and was used as the imperialistic tool to control colonials in Latin America. Additionally, universities were formed during the colonial period and were based on theology, medical science, and jurisprudence.

However, the access for such education was limited; only upper-class whites could benefit from education provided in universities. Education was understood as an investment in human resources and was formed to train technocrats. Social hierarchy, ethnicity, and race<sup>8</sup> in

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<sup>8</sup> There are mainly four types of race in Latin America. 1) Peninsular who were born in Spain, 2) Creole who were Spanish but born in Latin America, 3) Indigenous, and 4) Negro who have descent of African slaves.

Latin America have been present since the colonial period. Almost all of the Latin American countries became independent from suzerains in the 1810s. Because of the large colonial plantations that existed during the colonial period, a social structure with wide socio-economic gaps was created in Latin America.

The majority of the population in Latin America lived under extremely poor conditions and had terribly lacking educational backgrounds. Educational curricula in many Latin American countries were irrelevant and did not have any relationship with the economic sector. These were big obstacles for many of these countries to improve socio-economic development and qualities of life, and further encourage political and economical independence.

Latin American countries started to recover from “the lost decade<sup>9</sup>” in the 1990s. As the general economy regained its growth, so did the education market. According Saito (2002), awareness and commitment to education was raised due to the change in socio-economic environment; a transition of economic system from ISI to market economic system, reaction to economical globalization, growth of international competition on academic advancement and technology, reinforcement of democratic political system, and emphasis on alleviating extreme poverty and social injustice.

As a result, Latin American countries have relatively high income and low education levels compared to other developing countries, even though differences in areas of residence, income, and race have continuously had an effect on the access to education. It cannot be neglected that several issues persist such as the quality of education and high repeat rates and dropout rates. Therefore, Latin American countries need to continue their efforts to improve education levels and tackle several remaining issues.

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<sup>9</sup> It indicates a decade which has faced economic stagnation and recession.

## 6.2 Higher Education in Chile before the 1980 Education Reforms

Higher education in Chile was formed during the colonial period and the access for higher education was limited; only upper-class whites could benefit from education provided in universities as same as other Latin American countries. The first university, Royal University of San Felipe (*Real Universidad de San Felipe*), was founded by the suzerain state in Santiago in 1738 and became the first public university in 1984 after Chilean independence, which is called the University of Chile (*Universidad de Chile*). It is the largest and oldest university in Chile and one of the oldest universities in Latin America. In 1947, the State Technical University (*Universidad Técnica del Estado*) founded in Santiago as the second public university.

At the same time, six private universities were founded in Chile by 1956: the Pontifical Catholic University of Chile (*Pontificia Universidad Católica de Chile*) in Santiago in 1888; the University of Concepción (*Universidad de Concepción*) in Concepción in 1919; the Pontifical Catholic University of Valparaíso (*Pontificia Universidad Católica de Valparaíso*) in Aculeo in 1928; the Federico Santa María Technical University (*Universidad Técnica Federico Santa María*) in Valparaíso in 1931; the Southern University of Chile (*Universidad Austral de Chile*) in Valdivia in 1955; and the University of the North (*Universidad del Norte*) in Antofagasta in 1956. No other higher education institutions existed in Chile for long time.

Additionally, the structure of Chilean universities was different before the 1980 reform. “Chilean higher education was a one-tier system. Institutions were legally recognized as self-governing bodies, students did not pay fees and financing of universities was protected through public incremental funding” (Torres and Schugurensky 2002, pp. 445). Chilean universities provided free private higher education as well as public higher education on the basis of abundant finance from the Chilean government to Chilean universities before the 1980 reform

(Table 6.1).

The Chilean private universities could have enjoyed support from the Chilean government the same as public universities. There are two reasons for this. One is that, the church and the state avoided conflict about authority over education. The Catholic Church had maintained a good relationship with the state until the separation of church and state was stated in the 1925 Chilean constitution. Another reason is the existence of the concept of a “Teaching State (*Estado Docente*)” in Chile. Traditionally, many Chileans had believed that providing education was the responsibility of the state. As a result, universities which provided education particularly for Chilean elites were treated well by the Chilean government no matter whether public or private university. Even though the Chilean government provided abundant finance, universities enjoyed their self-governance (Saito 2005, pp. 280).

### **6.3 Higher Education Reforms in Chile**

Education reform in Chile had proceeded on the basis of neoliberalism to improve its efficiency and effectiveness. The process of implementing neoliberalism on higher education was begun from the military regime of Augusto Pinochet (1973-1990) and continued by the civilian Concertación governments of Patricio Aylwin (1990-1994), Eduardo Frei Ruiz-Tagle (1994-2000), Ricard Lagos (2000-2006), and Michelle Bachelet (2006-2010).

The military regime of Pinochet introduced neoliberalism, which it was advised to do by the “Chicago boys”, into the education sector in the 1980s. The Chicago boys were Chilean economic technocrats, trained by Milton Friedman and Arnold Harberger, who advocated neoliberalism at the University of Chicago. The exchange agreement in the 1950s between the University of Chicago and the Catholic University of Chile enabled the Chileans to study at the

University of Chicago. The Chicago boys concluded that the education sector in Chile was very inefficient because of the centralization of education system and low competition. The regime of Pinochet abolished free higher education and opened the market for the private sector to manage the education sector by following the market mechanism (Table 6.1). As a result, the number of universities increased from 8 to 21 during 17 years of the regime of Pinochet (Table 6.2).

The regime of Patricio Aylwin, a new government after the military government, introduces the following three reforms in Chilean higher education. This regime restored autonomy of higher education institutions, strived to correct inequity by increasing public expenditure in higher education, and constituted a legal framework for higher education. According to Brunner (1993):

- (i) To fully restore institutional autonomy of the 22 publicly supported Higher Education establishments, cancelling at once all measures of governmental intervention and reinstating the right of faculty members to freely choose their authorities and provide for the self-government of public universities.
- (ii) To increase public spending in Higher Education without changing the diversified-finding approach adopted by the Military Government. As a matter of fact, public expenditure on Higher Education rose in real terms by some 20% in 1991 and by 10% in 1992.
- (iii) To change the legal framework of Higher Education. In effect, the Government has pledged to seek approval from Parliament for a new general law of Higher Education, introducing a series of modifications to the law sanctioned by the Military Government in 1990. (pp. 40 and 41)

The regime of Michelle Bachelet faced demands pertaining to educational law reform prompted by student protests in May and June 2006. Students rose up against the dominant education system. Thus this regime responded to them in 2007 and 2008 by superficially reforming education laws. Moreover, the regime of Bachelet: “agreed to virtually all of the students’ ‘short term’ demands including: an increase in the number of free school lunches, improved infrastructure for schools, unlimited use of the student transportation pass and free university entrance exams for all students qualifying for financial aid, increases in family welfare benefits, and paid internships for technical students” (Kubal pp. 12).

More recently, Chilean student protests have occurred across Chile since May, 2011 with the aim of reforming the present education system. The proposal of Confederation of Chilean Student Federations (*Confederación de Estudiantes de Chile*) (CONFECH)<sup>10</sup>, the Social Agreement for Chilean Education (*Acuerdo Social por la Educación Chilena*), require the Chilean government to reform education in order to address inequity to accessing higher education, excessive marketization on education, the low quality of education, and non-democracy (CONFECH 2011). Even though the number of higher education institutions increased and efficiency and effectiveness were realized in Chilean higher education, neoliberal education reforms have not solved serious issues, such as the equity and the quality of education.

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<sup>10</sup> CONFECH is a student organization at Chilean universities.

**Table 6.1: Chilean Higher Education before and after the 1980 Reform**

| <b>BEFORE 1980</b>   | <b>AFTER 1980</b>  |
|--|--|
| 1. One tier, one sector: low institutional differentiation   | 1. Three tiers, two sectors: high institutional differentiation  |
| 2. No tuition fees but selective access according to school performance and achievement in national standardized academic test | 2. Tuition fees are charged by all institutions. Selective access is maintained in the subsector with institutional public funding. In the private institutions open access limited by family income |
| 3. State financing on the basis of incremental funding   | 3. Reduced level of state financing and establishment of multiple competitive sources of funding   |
| 4. System coordination provided by State authority and institutional oligarchies   | 4. System coordination provided by market and state-policy regulations   |

Source: Adapted from Brunner and Briones (1992) in Cox (1996).

**Table 6.2: Growth of Higher Education Institutions in Chile: 1980-2003**

| <b>Institutions</b>               | <b>1980</b> | <b>1985</b> | <b>1990</b> | <b>1995</b> | <b>2000</b> | <b>2003</b> |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>UNIVERSITIES</b>               | <b>8</b>    | <b>21</b>   | <b>60</b>   | <b>70</b>   | <b>64</b>   | <b>64</b>   |
| With public funding               | 8           | 18          | 20          | 25          | 25          | 25          |
| New private, no public funding    | -           | 3           | 40          | 45          | 39          | 39          |
| <b>PROFESSIONAL INSTITUTES</b>    | -           | <b>25</b>   | <b>82</b>   | <b>73</b>   | <b>60</b>   | <b>48</b>   |
| With public funding               | -           | 6           | 2           | -           | -           | -           |
| New private, n.p.f.               | -           | 19          | 80          | 73          | 60          | 48          |
| <b>TECHNICAL TRAINING CENTRES</b> | -           | <b>102</b>  | <b>168</b>  | <b>127</b>  | <b>116</b>  | <b>117</b>  |
| With public funding               | -           | -           | -           | -           | -           | -           |
| New private, n.p.f.               | -           | 102         | 168         | 127         | 116         | 117         |
| <b>TOTAL</b>                      | <b>8</b>    | <b>148</b>  | <b>310</b>  | <b>270</b>  | <b>240</b>  | <b>229</b>  |

Source: Ministry of Education (2005).

#### **6.4 The Reduction of Costs per Pupil and Shifting Public Funding from Higher to Lower Levels of Education**

The Chilean government succeeded in reducing costs per pupil in higher education and shifting public funding from higher to lower levels of education by following finance-driven reforms in the education sector.

As can be seen from Figure 6.1, the public funding per pupil was drastically reduced

from 1974 to 2009. Before the 1980 education reform, the Chilean government had intensively invested in tertiary<sup>11</sup> (higher) education. The Chilean government invested public funding per pupil more than 100% of Gross Domestic Product (GDP) per capita 1974, 1980 and 1981. In contrast, investment of public funding per pupil was reduced year by year from the 1980 education reform; as a result investment of public funding on tertiary (higher) education has flattened at around 20% of GDP per capita in the 2000s.

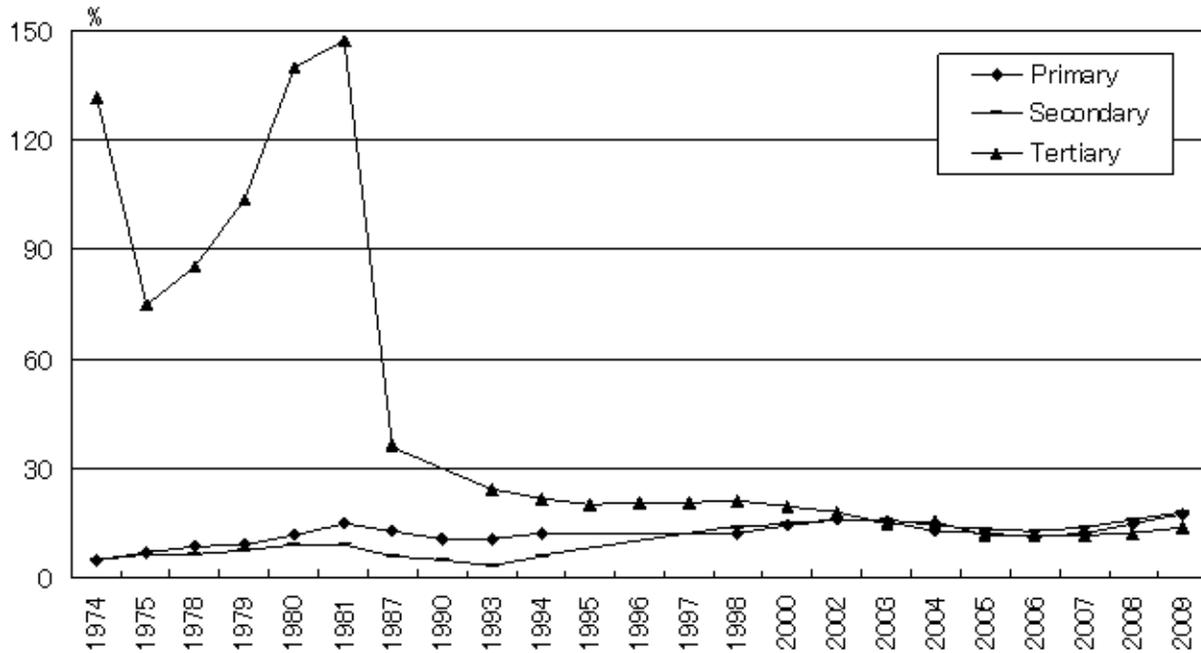
Drastic reduction of public funding per pupil on higher education means that total public funding on the education sector was also reduced. Figure 6.2 demonstrates public funding on education as % of GDP from 1973 to 2009. Public funding on education, which was 7% of GDP in 1973, was taken the 1980 education reform to cut down and have kept less than 5% of GDP.

Finally, concentration of public funding on tertiary (higher) education was changed by shifting public funding from higher to lower levels of education. Figure 6.3 illustrates drastic shift of public funding from higher to lower levels of education from 1973 to 2009. Allocating high portion of public funding on higher education has been criticized in terms of equity and equality because students who can access higher education are already privileged population. The Chilean government demonstrated strong efforts toward fixing primary education during the 1980s and the 1990s. In the 2000s, the Chilean government also had increased public funding on secondary education. Both primary and secondary education have used around 40% of total funding of the education sector and pre-primary education has gained importance marked by its portion of total funding within the education sector. On the other hand, public funding on tertiary (higher) education has kept less than 20% of total public funding in the education sector.

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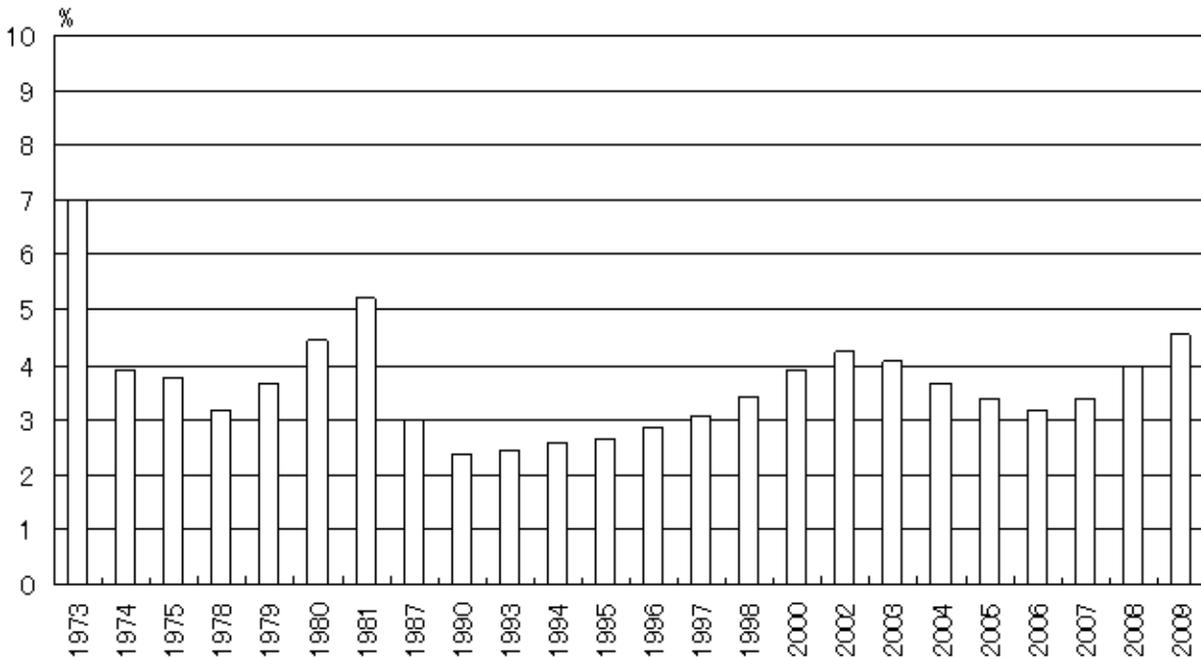
<sup>11</sup> The term of “tertiary education” is used in the original data source can be considered equivalent to higher education.

**Figure 6.1: Public Funding per Pupil as a % of GDP per Capita**



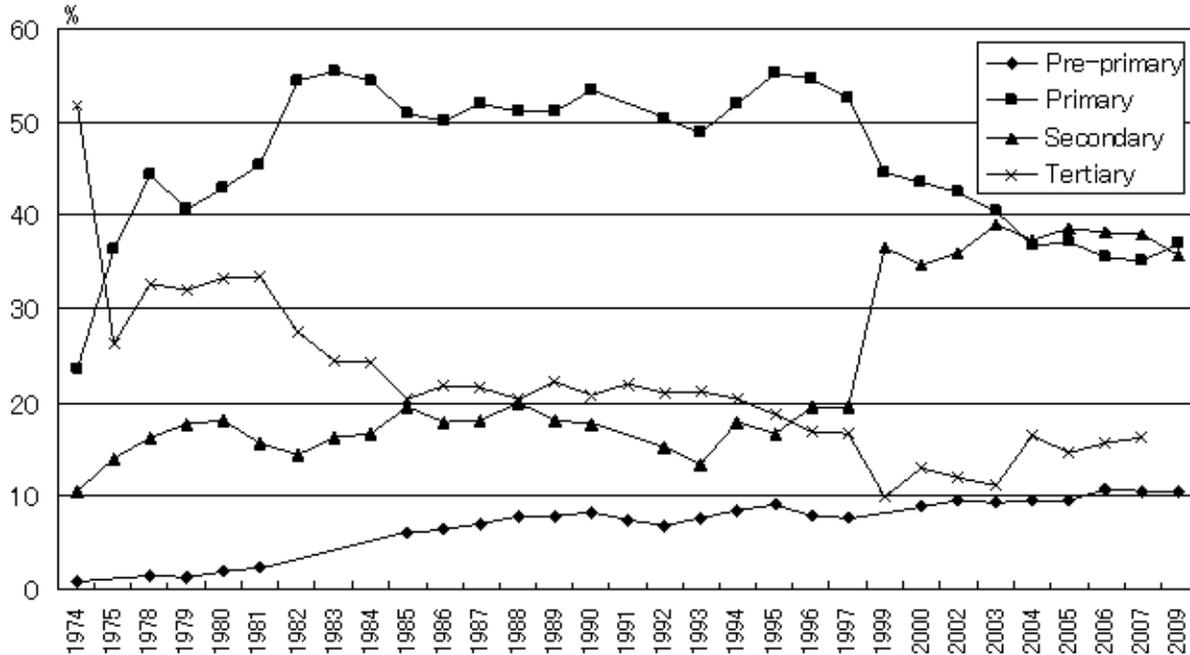
Source: UNESCO Institute for Statistics.

**Figure 6.2: Public Funding on Education as % of GDP**



Source: UNESCO Institute for Statistics and data in 1973 refers from Katz and Spence 2009, pp. 5.

**Figure 6.3: Shifting Public Funding from Higher to Lower Levels of Education**



Source: UNESCO Institute for Statistics.

## 6.5 Decentralization

The decentralization of the education system had been established during the regime of Pinochet and continued through subsequent governments (e.g. Aylwin, Frei, Lagos, and Bachelet). The regime of Pinochet implemented the decentralization of universities to improve their efficiency, including the “granting of institutional autonomy to the 14 regional centers of both the main state universities, thus significantly decreasing the size of these” (Cox 1996, pp.30). Due to the decentralization of higher education system, the Chilean higher education structure was totally changed. For example, Torres and Schugurensky (2002) point out the following three changes: “the institutional power of the two traditional state universities was reduced” (pp. 445); “Civil servant status for academic staff was abolished, and replaced by a system based on differential salaries” (pp. 445); and “Expansion of enrollments in higher education was delegated to private

institutions, which proliferated in a context of deregulation and minimal requirements to set up institutions of higher education” (pp. 445).

The Chilean government after the regime of Pinochet had literally no education policy choices, except to follow neoliberal education policy. Even though the Chilean government attempted to drive the education sector in another direction, the political right resisted against education policy change because “(T)here is little doubt that the differentiated structure of higher education in Chile nowadays is better than before the 1980 Reform; not only because it offers greater educational opportunities but also because it is able to respond more relevantly to the complex functional requirements of society” (Cox 1996, pp. 33).

## **6.6 Privatization**

Privatization in the education sector has been distinctly implemented and maintained by the Chilean government from regime of Pinochet to the present regime. Privatization in Chilean higher education is described as a model case: “in Latin America, university restructuring is following a model of privatization probably most advanced in Chile” (Torres and Schugurensky 2002, pp. 445). Deregulation in the Chilean higher education market has stimulated a go-to-market by the private sector and as a result, the number of higher education institutions expanded from eight institutions in 1980 to 229 institutions in 2003 (Table 6.2). Additionally, enrollment in higher education institutions increased by five times during 1980 to 2003 (Table 6.3).

On the other hand, the ratio of public resources for higher education institutions has thoroughly been suppressed at low levels over three decades compared to other countries and compared to the ratio for Chilean higher education reform before 1980. Public universities have

to secure their resources not only from public resources, but also from private resources by raising funds through tuition fees from students, donations, research grants, and revenue from firms. Students in both public and private higher education institutions have to pay tuitions partially or sometimes totally.

To support and encourage students who come from low-income families, the Chilean government established scholarships and student loan programs. After a new law passed in 2005, private banks also started to provide student loan programs. The Chilean government has tried to provide more opportunity for students who come from low-income and minority groups to tackle the social inequality gap in society.

**Table 6.3: Growth of Enrollment in Higher Education Institutions in Chile: 1980-2003**

| <b>Institutions</b>               | <b>1980</b> | <b>1985</b> | <b>1990</b> | <b>1995</b> | <b>2000</b> | <b>2003</b> |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>UNIVERSITIES</b>               | 116,962     | 118,079     | 131,702     | 223,889     | 302,572     | 378,836     |
| With public funding               | 116,962     | 113,128     | 112,193     | 154,885     | 201,186     | 230,174     |
| New private, no public funding    | -           | 4,951       | 19,509      | 69,004      | 101,386     | 148,662     |
| <b>PROFESSIONAL INSTITUTES</b>    | -           | 32,636      | 40,006      | 40,980      | 79,904      | 101,674     |
| With public funding               | -           | 18,071      | 6,472       | -           | -           | -           |
| New private, n.p.f.               | -           | 14,565      | 33,534      | 40,980      | 79,904      | 101,674     |
| <b>TECHNICAL TRAINING CENTRES</b> | -           | 50,425      | 77,774      | 72,735      | 53,354      | 62,070      |
| With public funding               | -           | -           | -           | -           | -           | -           |
| New private, n.p.f.               | -           | 50,425      | 77,774      | 72,735      | 53,354      | 62,070      |
| <b>TOTAL</b>                      | 116,962     | 201,140     | 249,482     | 337,604     | 435,830     | 542,580     |

Source: División de Educación Superior, MINEDUC and Ministry of Education (2005).

Privatization in Chilean higher education was introduced through increases in enrollments, in opportunities to access, and in cost sharing. As a result, many more Chileans can access higher education because of drastic increase in the number of higher education institutions, reflected by the enrollment statistics of higher education institutions from 1980 to 2003. However, “(t)he older universities lost their political autonomy but gained control over their

costs and opportunities to generate income which, in turn, made the reform of procedures to allocate public resources to institutions practicable” (Eisemon and Holm-Nielsen 1995, pp. 411).

## **6.7 The Influence of International Organizations in Chile**

The role of international organizations such as the World Bank and IMF to push neoliberal reform cannot be neglected in an analysis of Chile. As mentioned, the World Bank and IMF imposed a set of Structural Adjustment Policies (SAPs) to rebuild the economies of Latin American countries including Chile, which were overwhelmed by debt crisis in the 1980s. The World Bank and IMF “promoted a particular set of educational reforms, which focused on raising quality without increasing cost, on reducing the public cost per student at various education levels while maintaining quality and, in the same spirit, on raising the private household contribution to education through increased user fees, especially at the higher levels of education” (Carnoy 1995, pp. 657). Therefore, lending money from the World Bank strongly triggered adoption of neoliberal educational reforms in Chile.

## **7. DEBATES AROUND NEOLIBERAL EDUCATION REFORMS**

Neoliberal education reforms have realized effectiveness and efficiency on higher education; however several scholars criticize the progress and establishment of neoliberalism in education and indicate several issues that still remain.

In this chapter, the following five topics which are argued by several scholars are described as debates around neoliberal education reforms: the loss of autonomy as an educational

institution, commodification of education, equity to access higher education, and the quality of education.

Considering the debates around neoliberal education reform is important to improving education and distributing education to marginalized people. Recently, many developing countries have succeeded in providing basic education to a wider group of people as compared to prior decades. On the other hand, the gap between privileged and marginalized people has broadened and solidified through neoliberal policies. Moreover, it is essential to put stress on the quality of education in order to enrich education. The quality of education students are receiving is a key in order to develop countries.

### **7.1 The Loss of Autonomy as an Educational Institution**

Intermingled funding from the public and private sector in public universities led them to lose their autonomy as an educational institution because public universities have to follow “evaluation according to ‘criteria of performativity’ established by government and market forces” (Torres and Schugurensky 2002 pp. 446). Each source of private funding requires public universities to meet its conditionality and accountability measures. Moreover, Torres and Schugurensky (2002) indicate that the existence of the public and private sector in the same division blurs the role between administration and academia. The values and influences of the market, as well as the competitiveness of public universities in the market, have necessarily increased by introducing the private sector into education. This has complicated decision making between administration and academia. At the same time, public universities have faced a crisis of in terms of its academic freedom because of the breakdown of solidarity in this division. According to Levidow (2007) “academic ‘accountability’ often means subordination to

accountancy techniques. In response to these attacks, professional societies have defended academic freedom as a right of free expression, as if it could mean autonomy from all political-economic pressures. When academics pose research questions or set curricula, however, these cannot be entirely autonomous from the wider struggle over public resources, ruling ideologies, and class interests” (pp. 243).

## **7.2 Commodification of Education**

Under neoliberal education policies, education is defined as a commodity and is transacted as a product in the market. Levidow (2007) argues: “Higher education would become less dependent on teachers’ skills. Students would become customers or clients. As the implicit aim, private investors would have greater opportunities to profit from state expenditure, while influencing the form and content of education. Business and university administrators would become the main partnership, redefining student-teacher relationships” (pp. 243). With too much focus on the management of educational institutions, the relationship between students and teachers is eventually ignored. “Knowledge becomes a product for individual students to consume, rather than a collaborative process for students and teachers” (Levidow 2007, pp 251), even though the relationship between students and teachers is a fundamental relationship in educational institutions.

## **7.3 Equity to Access Higher Education**

One of considerable arguments against neoliberal policies in education is equity of opportunity to access education. In higher education institutions following the market mechanism, which controls education through a balance between demand and supply, education is defined as a

commodity. The private sector (introduced into higher education via neoliberal education policies), pursues profit in education as a business, and subsequently, students become consumers, who need to pay as high a tuition as possible. For instance, Eisemon and Holm-Nielsen (1995) suggest equity problems between students from low-income and high-income families in Chilean higher education, even though the education reforms contribute to rises in enrollment rates in higher education institutions. “While more students have opportunities to acquire higher education, upper income groups, predictably, have been the primary beneficiaries, particularly of the expansion of private higher education and the student loan scheme. Insofar as the equity effects of public expenditures on higher education are concerned, ‘the top 20% income group obtains around 53%... while the bottom 20% only captures 6%’ (Safuentes 1989 in Brunner and Briones 1992, p. 36). The latter are mainly the very bright students from poor families whose secondary school leaving examination scores qualify them for scholarships and who chose to attend a high quality public university” (pp. 411).

#### **7.4 The Quality of Education**

The quality of education is another central argument around neoliberal policies in education. Finance-driven neoliberal reforms require countries such as Chile to reduce costs to improve efficiency in higher education and introduce privatization. Prioritizing efficiency of administration in higher education institutions and introducing privatization have been cast doubt on securing the quality of education.

Efforts to improve efficiency by shaping costs per students have clouded the quality of education in higher education institutions. Also privatization in the education sector promotes competitiveness as a business as Katz and Spence (2009) argue: “Market entry strategies over

recent years show that some universities have opted for what we call here a ‘low end’ market entry strategy – expanding the number of teaching campuses they operate across the country, without serious concern for quality and accreditation – whereas a few other universities have opted for the opposite strategy, i. e. entering the market on the basis of high quality staff, state-of-the-art infrastructure and world-class teaching curricula” (pp. 6).

## **8. Conclusion**

In this paper it has been discussed how neoliberal education reforms, particularly finance-driven education reforms, have been implemented and what issues remain in education development for the future. Finance-driven reforms require nations to tighten their finances in order to stabilize their macro economy and stimulate their micro economy. These reforms have been mainly implemented in developing countries, which borrow money from the World Bank to overcome debt crisis. The World Bank stipulates as a condition to lending money that developing countries implement neoliberal reforms in policies ranging from their economics to education.

The international community has focused on development issues such as poverty, low economic performance, and economic instability in developing countries that gained independence after World War II (WWII). Economic theory plays a crucial role in explaining low economic performance and in coping with development issues in developing countries. The World Bank has been influential in creating a trend toward development economics theory in developing countries’ policies. This pertains to the World Bank’s powerful role in developing countries as a lending organization. Additionally, international discourses influence the

international community and developing countries in deciding to concentrate on certain topics within education development.

During the 1950s and 1960s, the World Bank followed the opinion of structuralism. A vicious circle of poverty was the reason that developing countries struggled to tackle their development issues. It was deemed that the lack of capital saving harmed the ability to industrialize the national economy. In this period, education started to be recognized as an investment in human resources, which was essential to developing the national economy and society. However, the gap between the rich and the poor was enlarged through the subsequent measures taken to address this perceived need to industrialize.

The international community and developing countries could not overcome development issues in developing countries with structuralism approaches. In the 1970s, the World Bank follows reformism, which asserts expansion of employment, equitable income distribution and sufficiency of BHN. Reformism also states importance of education as an investment in human capital.

Whereas reformism insists on the government functions to promote employment, the international financial crisis made neoliberalism supersede reformism as the trend of development economics theory from the 1980s. The Latin American debt crisis, which initially occurred in Mexico in 1982, was powerfully the cause of the changing trend of development economics theory from reformism to neoliberalism in the World Bank. Latin American countries, which embraced the BHN approach and ISI, recorded gradual economic growth and expanded their external debts.

Neoliberalism became the mainstream ideology and development theory in the World Bank between the 1980s and the early 1990s. The World Bank has had to reconsider its

neoliberal policies in the last twenty years; however, neoliberalism has still enjoyed its position as the mainstream ideology and development theory. Neoliberalism is a theory and an ideology that maximizes profit relying on free competition in the market and requires nations' economies to implement open market, free trade and economic liberalization. Additionally, neoliberalism promotes small government, which does not intervene in the market as much as possible and thus, neoliberal governments reduce their expenditure on the social welfare sector such as education. As a result, neoliberalism deepens the income gap and the gap in material wealth among individuals and between nations.

Chile is the first country, which employed neoliberal reforms from the economic sector to the education sector. Moreover, Chile has been described as a successfully reformed country under neoliberal policies. In this paper, Chilean higher education reforms are examined as finance-driven neoliberal reforms. Chilean higher education reforms were initiated by the military regime of Augusto Pinochet in 1980 and the following civilian governments have kept neoliberal policies in the education sector. Finance-driven neoliberal reforms require Chilean higher education to implement the following four reforms: 1) the reduction of costs per pupil; 2) shifting public funding from higher to lower levels of education; 3) decentralization; and 4) privatization to meet effectiveness and efficiency. The number of higher education institutions that existed (eight Chilean universities, two public and six private universities) before the 1980 reform was expanded drastically over the following two decades to 64 universities. As a result, a greater portion of the population can access higher education; yet, the increase only occurred from students of a middle class and higher income level.

As can be seen from the case of Chilean higher education reforms, neoliberal education reforms achieved efficiency, effectiveness, and quantitative expansion of higher education;

however, public universities lost their autonomy. Furthermore, the access inequity of higher education and the quality assurance problems have remained and in some ways, been exacerbated.

Introducing private funding to public universities has forced public universities into following goals, which are decided by government and the market rather than the universities themselves. In addition, intermingled public and private sectors in the same division (academia) has broken down its general solidarity. At the same time, it has blurred the role between administration and academia. As a result, public universities have faced the crisis pertaining to their academic freedom.

Finally, I want to particularly stress issues of inequity in accessing higher education and in the quality of education. Since the private sector has been introduced in education and education is defined as a commodity, students need to pay high tuitions. The gap between students from poor-income and high-income families in accessing higher education has persisted. Even if Chilean people can gain entry into higher education, the quality of education needs to be considered. Higher education institutions, which are managed by the private sector, might focus on their efficiency and profitability as a business, rather than on the quality of education being given to students.

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