

Privatisation of Education – some hints on the driving forces

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1. Preface

Privatisation of education is an area which has gained momentum in Germany only in the last couple of years. When the World Bank began their privatisation strategies in the eighties, education was part of it – but just a small one. The whole process of privatisation of education has to be seen as an integral part of the neoliberal ideology, introducing the market principle into all parts of society, e.g. infrastructure, health system, energy, pension systems. Within the neoliberal ideology the market is seen as the best of all regulation systems. It is quite simple: what is good in the economic area of, let's say, infrastructure, can't be bad in the educational area.

Privatisation can be done in different ways, but most common would be privatisation by selling public companies. A foremost example is the telecommunication sector, where the state run duties and responsibilities were changed. Originally telecom companies were funded by the states who were their owners. Then the organisational structure was changed, companies were sold on the capital market and finally had to deal with competitors. Privatisation was finished – the results were fewer employees, lower prices for telecom services, often better quality – and especially more profits for private owners of the companies.

In other areas, privatisation underwent a similar process – with less success however (at least for the customers). In all of these fields the state lost (democratic) influence, and the private sectors got more possibilities for making profits.

This is very different within the education sector. Here it is not about selling public companies, but about introducing market elements and reducing public spending combined with an increase of private spending. This involves all kinds of education: from elementary schooling and kindergarten, to primary and secondary schooling as well as tertiary education and further education. In education, there is a successive transformation involving market regulation techniques. Interestingly, these steps are sometimes so small that that they are hardly visi-

ble¹). In addition, not only the regulation of education is in the focus of neoliberalism but education itself is seen under the aim of producing market relevant knowledge.

Remarkably there is only a negligible public discussion about privatisation of education in Germany. Very active, however, are the German trade union GEW (Gewerkschaft Erziehung und Wissenschaft, Trade Union for Education and Scientific Workers), attac and a few others. Another inducement that led to discussions and resistance were the GATS negotiations, when the opening of national markets for foreign suppliers of education services caused serious concerns. But again mainly with the GEW. Public discussion focussed on other services within GATS.

In Germany a specific discussion has started about the role of the giant Think Tank Bertelsmann Foundation (Bertelsmann Stiftung²). This foundation is actively promoting reforms in a wide area of economic and social issues including education. Especially for higher education it has formed the Center of Higher Education Development (Centrum für Hochschulentwicklung, CHE).

It still has to be discussed why the privatisation of education creates only little public discussion. One reason could be its character as a hidden privatisation, as seen by Ball and Youdell (Ball, Stephen J./Youdell, Deborah: Hidden privatisation in public education, Education International, 5th World Congress, 2007):

“The first [endogenous] form of privatisation, where Forschungsmemoranden is asked to behave more like the private sector, is widespread and well established. The second [exogenous] form of privatisation, where the private sector moves into public education, is a newer but rapidly growing form of privatisation. These forms of privatisation are not mutually-exclusive and are often inter-related, indeed, exogenous privatisation is often made possible by prior endogenous forms.

Both privatisation in public education and privatisation of public education often remain hidden and are not subjected to public debate – in the first

case techniques and practices are not named as privatisation, in the second case privatisation is not publicly known about or properly understood.” (Ball/Youdell 2007, p. 13)

2. Why Privatisation of Education?

To answer the question which are the driving forces in the privatisation of education it might help to answer the question why education is under the pressure of privatisation at all. On the one hand the success of the neoliberal ideology can be seen as a whole, with the public being influenced for quite some time with the idea that private regulation systems are superior to state-run or state-controlled regulation systems. This simply includes everything, so education cannot be spared. Neoliberalism’s sense of mission is rather strong and goes together with a strong claim of shaping society. Policy consulting and setting discourse strategies are integral parts of the neoliberal ideology. Therefore, the question should not be why education should be privatised. It would be a surprise if there were no efforts in this area.

One part of the discourse strategy is the idea that the state should reduce its influence in all markets. To realize that taxes (and debts) would have to be reduced, to give incentives to companies and to encourage entrepreneurs. The consolidation of public budgets became a common goal for policy makers and is widely accepted within in the media and the public. The other side of the coin is, that less taxes mean more pressure on public duties: public budgets are never sufficient for all requirements. Whenever there is a call for more public duties, general opinion is nowadays that there is no money for it. Same with education: if (just: if!) someone claims more money for financing education (reforms), there is a loud cry for more private efforts (money) to close the gaps.

This is not the right place for criticizing the idea of a general market superiority. And it is not the right place to discuss the assumption that the state lacks money. These ideas are criticised often enough. But the financial situation of the German education sector can give some clues why the privatisation idea has gained momentum.

3. Making education markets

There are not only discussions about reforms in education (e.g. about the PISA results), but there is also a discussion about financing education. Some argue that reducing the public spending and increasing the private one in combination with the introduction of New Public Management concepts (to increase efficiency – whatever this means for education) would be a chance.

The former German President Roman Herzog has already claimed in 1997: “Education has to be released into freedom.” The same has been postulated by Thomas Straubhaar, Director of the “Hamburg Institute on World Economy” (HWWI) in 2006. The educational system’s way into freedom is via privatisation, some say. But as seen before, privatisation of education is different to privatisation of other public duties, so what are the means in and for education? The question is not only which are the driving forces behind it but how privatisation is done.

In their 2006-Memorandum the German Working Group on Alternative Economic Policy (Arbeitsgruppe Alternative Wirtschaftspolitik) has identified four important steps. It is not a strategy, what can be seen here. But in fact there are some steps which are very helpful for privatisation – even when the sequence of the steps is not fixed.

Step 1: Modularisation and Certification

One step is the change of education into modules which will be certified and where participants get skill cards. As a result, these modules can be traded on the education market. Especially in tertiary education, with the introduction of the Bologna Process and the Credit Point System, there is a big change going on in Germany. There are of course positive aspects of modularizing learning and schooling. Students for example can move to other universities (other countries) more easily if they have the chance to study certified modules everywhere. But modules can be easily offered by different (private) education institutions as well.

Facts and figures: Education in Germany – public financing**Public spending on education in Germany**

2003: 147,8 billion Euro

2005: 144,1 billion Euro

(Statistisches Bundesamt, Im Fokus, April 2007, p. 6ff.)

Public spending on education

(percentage of GDP; on a different base than just mentioned)

1975 5,6 %

1980 5,3 %

1985 4,7 %

1990 4,1 %

1995 4,6 %

2000 4,3 %

2002 4,4 %

2004 4,3 %

2005 4,3 %

(BLK-Bildungsfinanzbericht 2004/2005, Heft 137-II, Bonn, p. 41f.)

Public spending on education in 2005

(OECD-systematisation; percentage of GDP)

Germany: 4,6 %

OECD: 5,4 %

Denmark: 8,4 %

Iceland: 7,6 %

Norway: 7,6 %

Sweden: 7,4 %

(OECD: Education at a Glance, Paris 2007)

These data show that public funding of education in Germany is decreasing and, compared to some other states, is rather low (even below OECD-average). When there is ideological pressure claiming that the state doesn't have enough money, the final option is quite easy: get more from the private sector. Critics of that point to states where public funding of education is higher. This is simply often ignored. But with this financial argument one can put pressure on the reform of public education sectors. The market will solve all problems – even educational reforms can thus be done in a better way than by the governments, some say.

Step 2: Introducing prices and budgets

If education is free and there are no fees, there is no need for private suppliers to offer this kind of service. When students have to pay for their studies, it could be an attractive market for private organisations. Especially in Germany, where fees at universities are a rather new idea (former fees were abolished in the late sixties), private universities had a kind of market entrance barrier. Private universities had to compete with the free government-run universities. As a result, in Germany only 2.3 percent of all students are attending private universities. Now, where 7 of 16 Länder in Germany have introduced fees (of mostly 500 Euro per semester), it is just a question of time when the fees will be increased and when the competition in the public university sector and between public and private universities will grow. In addition, governments introduced “budget autonomy” to universities: in many cases universities are now responsible for their budgets and are rewarded with extra funding by the government if they achieve certain goals or get additional funds from other parties. This leads to the next step:

Step 3: Providing market information

For an education market information systems are essential. These systems could be the price for education (fees) and on the other hand information like rankings or other comparable informations (which are provided by (private) accreditation agencies).

Step 4: Public education is reduced to “basic education”

Following the market entrance of private companies, there is the “chance” for the state to reduce the public supply. What is left is (partly or fully) privatised and/or changed into private-public-partnerships. Education institutions (former public universities) are market relevant suppliers and producers of education. All institutions have to deal with the market’s competition.

Like it or not: now an educational market regulation is established instead of the former state regulation. Step by step, education is freed and the “chains” of the state are removed. This process can be seen as economizing because education is more and more set in a market environment. To accelerate this, education is declared as a (tradeable) good where different suppliers compete. Also education is seen as an investment in a future, personal, economical profit:

the education-profit. (See: Arbeitsgruppe Alternative Wirtschaftspolitik, Köln 2006, p. 124)

These are the steps which can be identified in Germany. In other countries, some or all of these steps have already been undergone. Implementing one of these steps does not mean that education is privatised. But with these steps it can be privatised quite easily. These are parts of the structural reforms which take place over a longer period. The driving forces behind it would be the neoliberal ideology as a whole and the desire of many politicians to reform the education system without spending more public money. As Ball and Youdell already pointed out: privatisation in education is hidden which makes it necessary to inform the public about the many successive and parallel proceeding aspects.

One should never forget that privatisation has a different cultural acceptance. What is common in one country – let’s say a kindergarten named “Nestlé-Kindergarten” or a secondary school named after Daimler Company – could be seen as shocking in other countries.

Privatisation is slowly growing, and at the end one is wondering how far it has already gone. This is the situation in Germany.

4. A little case study: Economic researchers as drivers of privatisation in education

In the last couple of years, a number of enterprise-related advocates of privatisation 2) have published studies about the economics of education and about education reforms. Very active were the “Institut der deutschen Wirtschaft” (IW, a German Economic Research Institute, financed by German companies) and the Association of Bavarian Enterprises (vbw, Vereinigung der Bayerischen Wirtschaft) in Munich. One might ask why an enterprise association or an enterprise financed research institute starts activities in this field. One has to ask where the competency of this institutions lies. Is this the „social responsibility“ that is discussed frequently? Is it the concern about the best students and the best employees for the future? What else could be the reason for this activity?

Let’s have a look back on the development of the last couple of years. In 2001, first PISA results were published, and they were quite shocking for the Ger-

man public. The German education system got very bad remarks. There was a great public discussion which is still going on. In 2003, the German Bundesbank (German Federal Bank) published a paper and asked for structural reforms in education and for a shift of public spending in education. One central demand was the search for efficiency gains. From these gains more money could be shifted to other tasks, like full-day-tutoring in schools (which is not common in Germany yet) or for the support of weak students. According to the Bundesbank-Paper this should be combined with a higher participation of students in financing their own education: the introduction of university fees was mentioned explicitly. There has been an important reason for this: more public spending for education would be impossible because of an already high public-spending-rate and because of the existing budget deficits of the public. A shift of spending, not an increase, had to be sufficient.

In the same year, the Association of the Bavarian Enterprises together with the educational-science-professor and president of the Berlin Free University and the well-known Prognos Institute published another study: "Education – Thinking New!" („Bildung neu denken“). A lot of reform ideas had been given. Interestingly, a below standard and insufficient funding have been mentioned as major problems for education. In 2004, the second part of this study was published: "Education – Thinking New! The Financial Concept". The conclusion: the budget for education should be increased by 30 percent until 2020 (plus 34 Billion Euro!). The biggest part of it should be carried by the public (29.2 billion Euro), private households should spend an additional 4.1 billion Euro. Social security system would have to spend 0.9 billion, and the private companies should spend another 0.2 billion Euro.)

Some "players" from the private sector must have been surprised by these findings. The demand of an increase of public spending for education was not accepted by everyone: in 2006, the „Institut der deutschen Wirtschaft“ published an interesting study named "Financing and Regulating Education in Germany" („Bildungsfinanzierung und Bildungsregulierung in Deutschland“, Köln 2006). The thesis of the former vbw-study that the education system in Germany is underfinanced (and needs an increase of 30 percent), was absolutely negated. The new thesis was that there is no underfinancing, and, as a consequence, there is no need for an increase of public spending! A general underfinancing was rejected – it was accepted just in a few areas (e.g. kindergarten).

In this area, even more public money was demanded. But this should be financed by a shift of public money: an increase for pre-elementary education should be financed by a decrease of public spending in other areas, especially in tertiary education. And the decrease here should be balanced by an increase of private spending: fees for universities should be introduced!

Conclusion: efficiency gains and a shift from public to private financing are the main issues of educational reforms again. Altogether the budget for education could be decreased (instead of increased by 30 percent)! (This whole story could be seen as an accidental story with the drivers of privatisation...)

The next publication of the Association of the Bavarian enterprises was published in March 2007: "Yearbook 2007: Educational Justice". Now an economist of the ifo-institute was among the seven professoral authors, but no figures were given about financing education, so a pause was given on this subject. Just a few demands were asked again: a shift of financing, more public money in elementary education, less in tertiary education, fees for universities could solve this dilemma.

Now the scientific discussion among the "private" researchers is back to their roots. And one can assume that it is not the social responsibility and not the concern for good education. No, education markets can be introduced. Whether the reason for it is the desire for more private markets (with more possibilities of making profits) or just the neoliberal ideology (that market regulation is better), this must be judged by others.

But it is a fact that only where there are fees it makes sense for private companies to offer education. Only with fees, private supplier can make profits. "Education for sale" – but only where private sectors can identify profits. In Germany this kind of undergoing privatisation is mostly advanced in the university sector.

5. Network of power – the Bertelsmann Foundation

Another important actor in Germany is the Bertelsmann Foundation³). This Foundation finances itself with the profits of the Bertelsmann Company: the Foundation owns a 70 percent share of media giant Bertelsmann Company.

Background information:

Bertelsmann Company

Founded in 1824 as a printing company
In the fifties of the 20th century: 4.700 employees
Sixties: internationalization
Seventies: 181 Million Euro total revenue
1980: 30.000 employees worldwide, 2,7 Billion Euro total revenue
1990: 45.000 employees worldwide, 350 companies, 6,5 Billion Euro total revenue
(big five media companies in the world)
2007: 82.000 employees worldwide, 20 Billion Euro total revenue

Bertelsmann Foundation

1977: founded by the owner of Bertelsmann Company (Reinhard Mohn)
70 per cent of the capital of the Bertelsmann Company is given to the foundation
2006: yearly budget: 60 Million Euro.
330 employees work in more than 100 projects
Since 1977 the foundation has spend 660 Million Euro

It can truly be said that the Bertelsmann Foundation is propagating the neoliberal ideology: market is better than state, management concepts from the private sector can be introduced into all fields of modern life. In short, this is the message of the Foundations projects. The Foundation is important because it has quite a budget (with financial funds of around 800 million Euro, it has an operating budget of 60 million Euro in 2006) which can be spent on its more than 100 different projects. These projects are undertaken with a variety of partners – politicians, associations, enterprises, media companies, trade unions, public government –, just to name a few. The Foundation is an operational one which means it does not give money to others for their projects but carries out its own. Education is just one field among others: economy, media, medicine, state and government, culture, politics ... – the Foundation is active almost everywhere.

One wonders why the reform of education is not mainly done by the state, but with a lack of public funds foundations like Bertelsmann can offer help to Forschungsmemoranden which is more than often gratefully accepted. So it can start reform projects

with schools, universities etc. Reinhard Mohn, former CEO of Bertelsmann Company and founder of the Bertelsmann Foundation, stated already in 1996: „It is a blessing that we are running out of money. Otherwise, we would not get started the necessary rethinking.“ (Frankfurter Allgemeine Zeitung, March 5th 2005)

Very influential, furthermore, is the Center for University Development (CHE) which was founded in 1995 as a cooperation project from Bertelsmann Foundation with the public „University Rectors Conference“ (HRK, „Hochschulrektorenkonferenz“), but is mainly financed by the Foundation. CHE is developing concepts for new public management of universities, evaluation techniques, university marketing, fundraising, business plans etc. It organizes conferences and funds studies to reform universities in a variety of aspects. For years, CHE was promoting the introduction of university fees and was finally successful in 7 of 16 Ländern. Rankings were established and jointly published with different media. Competition is seen as one of the major elements which transform universities in „success-orientated organisations“. Part of the success story of CHE⁴) and Bertelsmann Foundation is the establish-

ment of a network of cooperation partners who are happily working together with Bertelsmann: it has the money to move things, to start reforms. What kind of reforms or what ideology is behind the reforms is more than often not discussed at all or thrust aside.

It is not yet clear what is at the bottom of the Foundation. Some say it is preparing the way for more market, competition and privatisation so that companies like the media giant itself can find new business opportunities. Others argue that it is just the sense of mission of the founder and entrepreneur Reinhard Mohn (and others). If it is the latter, that proves to be problematic as well because then we have the case of single, very rich persons who establish an institution which tries to reform the whole society and is capable of doing so.

6. Conclusions

Privatisation of education is a hidden process: hidden to the public and hidden to participants in education. One driving force seems to be the implementation of neoliberal ideology in everyday's thinking which is exactly the success the neoliberal ideology seeks. An agenda setting that makes everybody accepts the thesis that there is not enough public money for state duties like education works quite well.

Privatisation is the introducing of market elements into the education sector combined with an increasing activity of private companies in this field. Introducing New Public management methods into education promise efficiency gains that are set against an increase of public spending.

Although the privatisation of education has reached different levels in different countries, the German situation gives a good insight in the process of privatisation. Step by step, the education sector is transformed. With a variety of methods politicians of many parties, government executives, the media and the broad public have fallen to the neoliberal idea of the superiority of the market. On the other hand, private companies see the education sector as a field where profits can be generated. So it is no surprise that enterprise-related institutions and associations are active advocates in promoting privatisation of education. In Germany for example, the denial of the chronically underfinanced education sector leads to the strategy of setting the importance of pre-primary

education and universities against each other. An increasing number of people believes that fees for universities are acceptable because of the investment benefits of an university education.

On the other hand, one should not forget that privatisation means a reduction of democracy. Privatisation changes the agenda of learning and studying: market relevant skills get a greater attention. Students learn to study subjects which generate greater profits. Introducing fees gives students of high income backgrounds advantages to others. And finally, privatisation of education can turn out to be expensive when the negative effects for the whole society are greater than the positive aspects for a few individuals and a few companies.

This paper closes with a longer quote, from Stephen Ball, which gives an excellent insight in the changes we are facing. I have nothing to add to it.

„What I am arguing here is that privatisation is not simply a technical change in the management of the delivery of educational services – it involves changes in the meaning and experience of education, what it means to be a teacher and a learner. It changes who we are and our relation to what we do, entering into all aspects of our everyday practices and thinking – into the ways that we think about ourselves and our relations to others, even our most intimate social relations. It is changing the framework of possibilities within which we act. This is not just a process of reform, it is a process of social transformation. Without some recognition of and attention within public debate to the insidious work that is being done, in these respects, by privatisation and commodification – we may find ourselves living and working in a world made up entirely of contingencies, within which the possibilities of authenticity and meaning in teaching, learning and research are gradually but inexorably erased. It is time to think differently about education policy before it is too late. We need to move beyond the tyrannies of improvement, efficiency and standards, to recover a language of and for education articulated in terms of ethics, moral obligations and values.“ (Stephen Ball, Education for sale. The commodification of everything? 2004).

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- 1) The German trade union GEW has published several privatisation reports recently. Written by a journalist, they show how far private economic elements have already been introduced in German schools. Readers are surprised: Usually they already know some examples, but to see so many in reports is quite shocking for many readers. (www.gew.de/privatisierungsreports.html)
 - 2) Some English information about the Foundation: http://en.wikipedia.org/wiki/Bertelsmann_Foundation
 - 3) Profound information in: Jens Wernicke, Torsten Bultmann (Ed.): Netzwerk der Macht – Bertelsmann. [Network of Power – Bertelsmann] Marburg 2007.
 - 4) The director of CHE, Prof. Dr. Detlef Müller-Böhling (professor of business administration) is seen by some as THE secret minister of education in Germany. He is one of seven professors who wrote the already mentioned vbw-study „Education Justice“.
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