Capitalist Crises, Privatisation and Public-Private Partnerships in Education

Capitalist globalisation has been masked under the neutral term called globalisation in these days. Marx analysed and showed that crises is inevitable in capitalist mode of production. (Marx,1954). Capital itself is barrier to capitalist mode of production. History is replete with many evidences such as global crises of 1930s,1970s and 2008 in last less than hundred years. However, here we mainly focus on the crises of 1970s and how privatisation, public-private participation policies are designed in an attempt to come out of this crises.

The world capitalism got enmeshed into crises in 1970s due to many reasons like contradictions among imperialist countries namely America, Germany and Japan; the OPEC oil embargo of 1973 and 1978 etc. As a result, the profitability of capitalists in advanced capitalist countries got reduced drastically, dragging the entire world capitalism into crises. Some alternative was called for if the crisis was to be overcome (Harvey,2009) It is to solve this profitability crises of 1970s,the policies of privatisation and public-private participation have been thrusted on third world countries by imperialist countries and their servitor institutions namely Brettenwood institutions.

The policy making in Third world countries started changing drastically after the so called 'golden age' of capitalism from 1970s onwards. As part of this general trend,during the last three decades or so, educational policies in India are formulated according to "Washington Consensus",which emphasised the role of market forces in the economy as the main mechanism for resource allocation. The prescriptions emanating from these frameworks have emphasised the need to redefine the role of the public sector in to promotion and regulation of free and competitive markets,rather than direct provision and subsidisation of goods and services." (Ha- Joon Chang,2008). The application of these policies to third world countries where markets are not developed did not yield positive results. In fact, most of these countries have recorded poor performance. This has resulted in the so called post-Washington consensus, which claims to be less fundamentalist in the sense of being sensitive to the institutional foundations of policy success. Whatever may be the claim, "the core policy proposals of the Washington Consensus still remain at the top of the post- Washington Consensus agenda." (privatisation of public education, public health, common property resources like mines, forests etc.)(Ha-Joon Chang,2008). Along with all other peoples resources, public education is being made as means of capitalist investment to solve the crises of profitability of world capitalism. During this period,another important change had taken place. The nature of capital has changed significantly from industrial capital to finance capital. This is basically the period of capitalist globalisation or globalisation of finance capital. Since then, the responsibility of government to provide education to its own citizens is being challenged on the plea of a fiscal crunch almost in every nation and particularly in India. In this era of globalization all national governments have started taking resource crunch as pleas to shirk the responsibility of providing free education to their citizens and to encourage commercialization, corporatization and privatization of education. The paper deals with changes in the dominant form of capital and its grave implications for educational policy making and also show as a result, how the recently formulated policies like RTE Act (2009), Foreign Educational Institutions Bill (2010), etc.are likely to restrict the access of education to the poor and deny social justice and right to education to the Dalits, Adivasis and other marginalized groups.

The paper is divided into four parts. The first part explains briefly about globalisation and particularly globalisation of finance capital and its impact on the state's ability to provide basic necessities such as education, health, food and safe drinking water etc. The second section highlights trading in education provisions present in the RTE-Act and Foreign Educational Institutions Bill mooted by the government. The third part is about questionable assumptions underlying 'efficiency of market's role' in allocation and distribution. The fourth section ends with some concluding remarks.

I Globalisation of Capital

The process of development of finance capital was discussed in detail by Hilferding and Lenin. In the course of development of capitalism, there was a merger and coalescence of industrial capital and banking capital giving birth to finance capital at national level. In this period, finance capital was closely connected with and assisted by industrial capital. The present day finance capital is different from the finance capital of the earlier period in two different ways. First, it is detached from its national moorings. Secondly, it is also detached from industrial capital. Therefore, it represents highly volatile force roaming around the world in search of speculative gains. Thus, finance capital is internationalised and basically interested in speculative gains rather than industrial production. (Patnaik P, 2005). When restrictions on the cross border flows were removed as the Brettonwoods system based on fixed exchange rates collapsed, the capitalist states started withdrawing from the project of demand management. (Patnaik P, 2008.).

The opening up of the Indian economy to these international finance capital in the name of economic reforms in 1990s has led to paralysing of many pro-poor public policies. India has comfortable foreign exchange reserves position for quite some time, although our imports of goods and services are more than our exports. This is because of the accumulated portfolio investments (finance capital) form different financial institutions. (You may like to reconsider the underlined sentence formation.) The government has to protect the interests of these portfolio investors who take signals from the IMF and the World Bank either to stay or to leave the Indian stock market. Therefore, IMF and World Bank have considerable influence over the government policies (Bhaduri, 2009)

The finance capital is opposed to state activism because of four reasons.

1) It leads to fall in the value of shares: The increase in public spending leads to increase in inflation. Especially at high levels of employment and activity, exports decrease as a result of inflation because the prices of our goods increase both in terms of our currency and also in terms of foreign currency. Therefore, the demand for exports decline.
2) The demand for imports increases. A rise in imports and fall in exports will make the balance of trade adverse leading to current account deficit. This situation creates fears of exchange rate depreciation (fall in the external value of currency) which results in decline in the profitability of finance capital. When that happens, the financial institutions will pull out from share markets.
3) It leads to fall in real interest rates: As said earlier, increase in public spending means increase in the quantity of money and results in inflation. During the period of inflation, prices will rise persistently and the value of money falls. Then the real interest rate also falls because it is the difference between nominal interest rate and inflation. (Since the rate of interest remains fixed at least for some period)
4) It erodes the state of confidence of the capitalists: In the absence of state intervention, the employment depends upon the state of confidence of the capitalists. If the increase in public spending promotes employment, then that undermines the social legitimacy of the capitalist class. This is much more so of financial capitalists.

Since finance capital both international and national, is going to stock market and money lending, public spending will adversely affect the finance capital. Thus government is more sensitive to the moods of the stock market and the financial sentiments of its players. IMF and World Bank are in a pivotal position to influence the perception of players like financial institutions, banks and other institutions of finance capital. Indian government wants to protect the interests of finance capital by becoming sensitive to mood of stock market and its major payers who are being predominantly influenced by IMF and WB. Indian government wants to secure and retain the approval of these international financial institutions. To please them, Indian government passed FRBM Act in 2003 , restricting deficit spending for the welfare of the poor. If government dares to be activist, it would find itself confronting capital flight with grave consequences for the economy. Therefore the government will favour cut in public spending.

Since government cannot spend, the idea has gained support that the government should raise resources through privatisation and the so called public-private partnership(PPP) but not through raising the fiscal deficit or imposing a turn over tax on securities transactions of finance capital. PPP is "another name for various arrangements in which the risk is public and the profit private. It is specifically favoured in developing countries these days by the World Bank, which warns countries at the same time against raising fiscal deficit" (Bhaduri, 2009). That is why all the policies formulated by the government, do have provisions which encourage privatisation and public private partnerships. The essential services like health, education, drinking water etc., are no exception. The Right to Education Act of 2009 and the Foreign Educational Institutions Bill 2010, in the field of education, are taken up to show how the policies of privatisation and PPP reincorporated. The 12th plan document on education displays the same trend.

II. FOREIGN EDUCATIONAL INSTITUTIONS BILL AND RIGHT TO EDUCATION ACT

A) Foreign Educational Institutions Bill.(FEIB)

The Foreign Educational Institutions Bill has 4 chapters, 17 sections and a statement of objects and reasons. In the Foreign Educational Institutions bill, there is no provision to regulate the fee structure in foreign educational institutions i.e., foreign universities. It is completely left to the management of these institutions. But the 6th section of chapter 2 of this Bill dealing with fee structure indicates that the amount of fees charged is to be published in the prospectus (FEI Bill). The management of these institutions can charge any amount of fees from the students, the only thing that is mandatory is to publish this amount in their prospectus. Probably they may term this as 'transparency'.

Thousands of years of struggle of the oppressed classes and castes particularly of last 150 years had resulted in the inclusion of constitutional provisions namely reservation policies. With the coming of the foreign educational institutions bill, this provision becomes inapplicable. Indian government has no role in the entire administration process, recruitment of faculty or other staff, their qualifications, salary structure etc. in these institutions.

"All this means a very high degree of laissez-faire is on-non-involvement of the government in higher education to be provided by the foreign institutions" (Tilak, 2010). (The above underlined sentence needs reformulation.) Moreover, once they get permission from the government these institutions can decide anything and everything. Their operations will not be subject to any examination by anybody. In short, they are not accountable to anybody. As Tilak (2010) rightly says 'this reflects the neo-liberal government's unquestioned faith in markets' . In other words, government has unquestioned faith in the foreign capitalist who start educational institutions in India. According to the bill some foreign educational institutions which are not giving degree or diploma need not get even recognition within the country. About placing confidence in the market i.e. in private and foreign capital to provide education to the poor is a questionable assumption of market solution, which is discussed little later.

B) Right to Education Act

There are 7 chapters, 38 sections in this Act. Firstly, there is problem with definitions. In the Chapter I, which gives definitions of concepts used here, defines capitation fee as "any kind of donation or contribution or payment other than the fee notified by the School" (RTE Act, 2009. chapter 1 section 2(b). It means a private school can charge any amount of fee by notifying it. In implementing foreign universities, any amount of fee can be charged by publishing in prospectus whereas in private schools any amount of fee can be charged by notifying it. In the same chapter elementary education is defined as the 'education from 1st class to 8th classes. Pre-primary education which became so important today, is not the responsibility of the state as per this 'fundamental right'. Neither secondary nor higher secondary education is responsibility of the state. Even for the elementary education, if school has less than 60 students in a primary school (and in majority of existing primary schools in Andhra Pradesh, have the strength below 60 students) then there will be only one teacher according to this act. That means, quality education is not guaranteed even in elementary education.

Secondly, regarding the funding of implementation of even this defective act, the central government did not give any commitment. Section 3 of chapter 3 of RTE Act that deals with sharing of financial responsibilities says that "the central government shall provide to the state governments as grants-in-aid of revenues, such percentage of expenditure referred to in sub section 2 as it may determine from time to time in consultation with the state governments" (ibid. Chapter 3, section 7)

It is also said that the central government prepares the estimates of capital and recurring expenditure for the implementation of the provisions of the Act. As it usually happens the central government may ask state governments to share certain percentage of total expenditure, if state governments are not able to share that amount then on that plea, central government may not give required money for the implementation of this Act. In the matters of funding, central government shifts to states and states shift to local governments thereby leading to underfunding of even elementary education.

Last not the least, the section 12, sub-section 1 and 2 which talks about private school's responsibility for free and compulsory education provides the provision of 25 % seats reserved for children belonging to weaker sections and disadvantaged group, in schools of "specified category" and private schools aided or unaided. It further says that these schools "shall be reimbursed expenditure so incurred" (RTE Act, 2009 Chapter 4, section 12 (b) and (c), point 2)

This indicates that the meagre budget allocated to education also does not go to strengthening of government schools in the villages and towns but will be diverted to elite government schools and corporate schools in the name of public private partnership (PPP). The government becomes agent of private and corporate sector in education rather than a regulator of private and corporate schools. These measures further weaken, and destroy, government schools. In the words of Anil Sadgopal, this act opens a "new market by demolishing the vast government school system, except some specified categories of elite schools such as KendriyaVidyalayas and NavodayaVidyalayas or the proposed Eleventh plan's block-level model schools and such other counterparts in various states and union territories" (Anil Sadgopal, 2011).

III. Questionable Assumptions of Market

The unquestioned belief of the policy makers in markets is based on questionable assumptions of market. There is a fundamental problem with the market in a poverty stricken country like ours." If it is left to the market to decide what goods to produce, it may simply end up not producing even the most basic and necessary goods needed by the poor" (Bhaduri, 2005). It means market does not bother about those who don't have purchasing power i.e., (most of) dalits, tribals and the poor (and disabled and Muslims?) in India. It is concerned only with rich people and looks after fulfilling their needs.

Although education is not exactly like commodity, in the sense here education service commodity takes long time than any usual commodity, but here also if education is left to the market to decide, it will eliminate access to the poor and provide access to the rich. Is it justified and civilised to eliminate the historically discriminated groups like dalit's, tribal's and poor people from the field of education? Must not, certain basic necessities like water, housing, sanitation for the poor be provided by the governments?

The theory of market solution is based on questionable assumptions such as perfectly functioning market, where no producer or consumer has any power to influence the process etc. In reality there is no perfect competition because there are power imbalances, discrimination, transaction costs, and information asymmetry. No producer or consumer influences price is also untrue. In reality, powerful monopolies, monopolies, oligopolies abound in the real world even in the education sector. Being the powerful and large producers, these monopolies, oligopolies influence the prices to a substantial extent. Thus under very highly artificial assumptions, producers will produce goods efficiently by utilising scarce resources and get normal profits. Consumers also get good quality products and also at lowest possible prices because of competition among producers. Since this does not exist in reality, it is inappropriate to apply market principles to the education sector.

IV. Concluding Remarks

The change of capital from industrial form to financial form, the belief of policy makers and other intellectuals in unrealistic and questionable assumptions of perfect market to protect finance capital is resulting in the policies of withdrawal of state from providing education to its own citizens. This is why, even policies which talk about providing fundamental rights to the people like RTE Act,(Food Security Act etc) end up in supporting anti-people policies like privatisation and public private participation thereby denying access to education to the poor and social justice and right to education to dalits and adivasis in our country.

Therefore, even the day today struggles against privatisation and PPP must be protracted mass struggle and definitely become part of transformative struggles of oppressed and exploited masses of the society politically and ideologically.

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K.Laxminarayana

Associate Professor in Economics, Universit of Hyderabad

Secretary, AP Save Education committee

e-mail:klnss@uohyd.ernet.in