

A Political Economy Perspective on Education Privatization and Global Neoliberalism

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Abstract

Neoliberalism has emphasized that the role of market mechanisms can play in reconfiguring the public sector. In education, neoliberalists argue that the consumer choice and school competition can lead to more effective and efficient public education systems. This paper examines the increasing inequality in and between education, economic and social systems within the policy context of neo-liberal capitalism. Neo-liberal capitalism is a global phenomenon-- the restructuring of schooling and education has taken place internationally under pressure from international capitalist organizations and compliant governments. The effects of neo-liberal policies in increasing inequalities globally and nationally, in diminishing democratic accountability and in stifling critical thought is presented along with a critique of the theory of neoliberalism in education policy.

Keywords: Marxism, Socialism, Capitalism, Neo-Liberalism, Globalisation, Education, Business, Inequality,

Introduction

The preamble of The 1945 Constitution of Indonesia in paragraph IV is philosophy basis of education in Indonesia as a primary reference to conduct and develop nation's intellectual life. In paragraph IV, it is stated that the country aims at educating the nation as one of the highest priority. This philosophy looks romantic in the midst of economic and political realities of education policy in Indonesia which the involved stakeholders compete to pursue their own interest and as a result, it seemed tangled. State, according to the philosophy lied on the 1945 Constitution of Indonesia, have mobilized their available resources to manage the national education system. However, it seems questionable that all layers of society within this nation could obtain an equal chance of educational services from the state. The practice of public policy during the New Order era, by contrast, was regressive. According to Wahab (1999:88), it is not an exaggeration to say that the journey process of the development in education had taken place inconstant with the biggest framework of nation's ideology.

Recently, the Constitutional Court declared that the policy State Universities (or PTN in Indonesia) as a State-Owned Legal Entity (BHMN) in contrast with the 1945 Constitution of Indonesia. Some of the parties which support the status change of State University become BHMN stated that this is not an attempt to make State University as a business-based institution and seeking for maximum profit or to the extent of privatizing the State University and ignore the main purpose of State University and its social mission. On the other hand, some parties who oppose the State Universities as BHMN argued that this is a real form of privatization to obtain maximum profit. The biggest question is also raised within the context of primary and secondary school. The field phenomenon shows that the education system at the both above-mentioned level currently is leading to the attempt of privatization. This phenomenon can be interpreted through several policies in the school such as independent students admission and enrollment held by the school itself, the "unlimited" policy in terms of accepting the students, and the implementation of two shifts teaching. These instances can be indicated as a form of privatization and furthermore as a form of abuse through 'selling seat' from the set quota. Therefore, to understand the issue within the privatization and unravel the right claim, the political economy study is conducted.

Education policies actualize an anti-egalitarian system of education. Recently, the anti-egalitarian system of education needs to be contextualized in two approached context they are: 1) the context of ideology and policy and 2) the context of global (Hill, 2005). The issues regarding school system and education restructuring are partly incorporated within ideological attack and neo-liberal capital policy. The privatization of any public services, including educational services, is a form of capitalization and humanity commodification as well as fulfilling global demands of the international capitalist agencies.

Education plays an imperative position within the society since education attempt to humanize human being and instill social values and nationality. It is inevitable that national education system could be infiltrated into an elitist system which to some extent backlash with the national interest. In addition, the principle of egalitarian will be incorporated implicitly in the national interest. Thus, the most important national educational policy issues are whether the education policy in this country leads to populist policies, or just stuck to elitism? According to the perspective of policy as a political process, (Solichin Abdul Wahab, 1999: 84), the question would be who will earn the benefit from the privatization? How much and how do they earn the benefit? This paper analyzes the political economy focusing on the behavior of education policy to answer whether the national education policy has been fulfilling the ideological interest, or just drift in the interests of economic and political life of a nation, as a result of capitalism, neoliberalism, and globalization, in addition, to discovering the

impact of neoliberal policies in education. The political economic analysis does not focus on the formal legal document but is rather directed to the running policy instruments and the impact of social policies. The question of this paper is how the relation of capitalism, neoliberalism, and privatization of education, how to do the impact of globalization on education. How do the issues for discussion privatization of education in Indonesia?

Method

Using qualitative research methods with case studies. Data collected by documentation, interviews with stakeholders, education professionals in the city of Malang the principal of SMK Negeri 6 Drs. H. Rozikin. M.Pd and Head of SMK Sriwedari Malang Drs. Sugeng Triwarsono.dan vocational teachers in Malang. Critical analysis carried out through the following steps: (1) the exploration stage of the reform of local bureaucracy associated with the Government's policies Malang; and the theory of globalization, capitalization and neo liberal (2) Stage of explanation changes that occur with any impact caused by the policy of the Local Government Malang Malang city to realize a vocational State; (3) the stage of critical analysis as a State policy Malang Vocation from the perspective of globalization

Theoretical Underpinnings and Discussion

1. Capitalism, Neoliberalism and the privatization of education

The definition of capitalism is a system which regulate an economy circumstance where a diverse economic actors are allowed to compete to serve the needs of consumers in accordance with a set of laws and rules, and where the next competition serves to encourage the mobilization of energy and talent of human and other resources for the benefit of society as well as economic actors themselves (Lippit, 2005; Scot, 2006). The privatization of the state higher education policy can not be detached from the influence of neoliberal movement in public service policy. Principally, the neoliberal movement aims at reducing the state's role in providing services and carrying business management principles into the public policy. The development of neoliberal is inseparable from capitalism ideology. Neoliberalism (new liberalism) is a refined ideology of capitalism which is on the crest of a wave at the moment particularly TINA (There are No Alternatives) slogan suggested by Margaret Thatcher. Since 1970, neoliberalism began rising up into the policies and practices developed by capitalist countries, and it is supported by the international bodies such as World Bank, IMF, and WTO. Capitalism as a world system has positive and negative sides. The positive side of capitalism is to improve the standard of human living since capitalism provides a large channel for individual development. While, the negative side is generating injustice and social inequality due to the construction of commercial culture (Lippit, 2005: 3-5).

Neoliberalism as the "spirit" of the new colonialism, which seeks to balance the fiscal as noted by Li (2004) that Neoliberalism regime typically includes monetarist policies to lower inflation and maintain fiscal balance, flexible labor markets, trade and financial liberalization and privatization. State's authority is limited to a very minimum level in neoliberalism ideology. 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 The state becomes powerless when it comes to policy stipulation. The policy does not bring any benefit to the society as a result of neoliberalism ideology which highly performed in any funding and grant given by IMF or World Bank through required condition (conditionality) or Structural Adjustment Programs (SAPs) in the early of 1980 (Lippit, 2005; Killick, 2006; Scot, 2006).

Neoliberal education policies in Indonesia is a consequence of external pressure as a requirement in stipulating public policy. According to the Killick (2006), the circumstance of policy's implementation would be negatively performed the moment the benefactor and the government possess different interest, as commonly arose. The incentives offered by the benefactor is insufficient to guarantee the conditions of implementation, mainly because of donor reluctant to penalize non-implementation. Further, Killick concerned with the requirements as a means to achieve policy change, whatever the result of the benefits change, although its influence on the policy process can not be completely separated from the accuracy of the policy set. Thus the government is constrained by pre-requisite or conditionality set by international benefactor as argued by Scot (2006:2) that capitalism is a largely self-regulating economic system in which the proper role of government is limited to providing certain basic public goods and services at low cost.

According to the statement from Francis Fukuyama which proclaimed the independence of capitalism over any other ideology and the fact that the hegemony of capitalism affects our education. This can be seen from the process of industrialization of our education. The industrialization process of education is indicated by two conditions, namely; (1) The education that serves as industries which concern in gaining money and profit as much as possible. (2). The education system that is organized in such a capitalism scenarios to prepare students to be able to adapt to the industrial capitalist world. (Summer, 2005; Scot, 2006).

The global circumstance forces a policy stipulation to incorporate the education. In a long-term

developmental framework higher education (KPPT-JP) 2005, the policy within higher education was reformed and resulted in five major pillars of higher education, they are quality, autonomy, accountability, accreditation, and evaluation. These five pillars were manifested from global policy stipulated by UNESCO in *World Declaration on Higher Education for Twenty-First Century: Vision and Action*. Through the above-mentioned paradigm, the development of higher education in Indonesia influences the secondary and primary education. It is indicated by the stipulation of International standardized school or RSBI. In this sense, the accountability of higher education or school will be acknowledged the moment the International system of education is successfully conducted. The phenomenon of internationalization is currently thriving within the higher education in both states or private. Pursuant to the international standard of education, corporatization is a pre-requisite for Indonesian education. To improve the quality of education and re-conceptualize the education system, Universities require a large amount of fund for facility and infrastructure procurement. Despite the fact that the regulation regarding BHMN/BHP is juridically revoked by the constitutional court, there will be a policy which is similar to BHP since this becomes the pre-requisite or conditionality for a grant from IFI.

2. The impact of globalization on the National Education

Globalization process prompts frequent effect to all states. The effect of globalization process is inevitable influence almost all system of human living and as a result, there will be an interrelated pattern within the system. Basically, the current context of globalization ignites the spirit of neoliberalism in which elitism is one of the indicators. McLaren (2006) states that in global capitalism, school is a part of the industry since school aims at providing a candidate for employment in the industry. There are three influences of capitalism within school, they are 1) the relation between capitalism and education which creates schools are practicing to control their economic chain by elitist; 2) the aim of education is only pursuing profit; 3) capitalism establish the education foundation that lies on the material value instead of humanity, fairness, and human dignity. Sooner or later, the participant of education will lose the sense of humanity and concern for the material value within the education.

The schools are co-opted by the mechanisms of industry and business in which the schools have become the instrument of economic production. Subsequently, the curriculum of education is also affected, for instance in determining the material and subject studied by the students. Therefore, it establishes the capitalist curriculum. This can be viewed from the allocation of subject related to humanity and morality is lesser than the subject focusing on the material.

INITIALLY	: SCHOOL	—————>	WHOLE PERSON
CURRENTLY	: SCHOOL	—————>	MANPOWER FOR INDUSTRY

In this philosophical level, education becomes a work-oriented institution and as a result, it creates a materialistic individual or homo economics. As stated by Nurmi (2006:17), *In particular, in this model the individual is supposed to be rational in the sense of calculating the consequences of her behavior under prevailing and anticipated circumstances. As all models, the economic man is a simplification.* The question would be, do we have to reject the work-oriented education? While in the reality, the demands say so and when the refusal is not incompatible with reality.

In neoliberalism era and global capitalism, the class selection in accessing education becomes tough. Furthermore, it is supported by the regulation regarding new National Education System which allows the responsibility's forwarding of states to the public. Several universities not limited to the four pilot project universities seek for new resources of funding for instance by obtaining additional money from their new students. Kompas (16/6/2008) informs that currently, universities initiate new mechanism of students' enrollment through additional quota 10% to 20 % from independent enrollment process with more expensive fee approximately 150-750 million IDR. Earlier, Republika (16/8/2007) exposed that approximately 14,7 million children could not continue their school (around 10-14 years old) and 5,2 million children could not have the capability of reading, writing, and counting. The high rate of uneducated individual due to economic reason will result in a high rate of unemployment. In addition, Republika exposed that only 11% of senior high school graduates could continue their tertiary education.

In fact that the employments in Indonesia are not a well-educated and well-skilled employment since the employments only possess high school qualification or lower. Besides, the Indonesian graduates have less quality in terms of skill. The education system under the value of neoliberalism place society as an education commodity instead of a party for a social benefit regarding quality improvement: employment demand link and match. BHMN or corporatization higher education, as a result, creates a university to be more competitive to open independent enrollment process which ignores academic qualification. This , subsequently, creates a massive quota of accepted students. The massive quota of accepted students is not a national plan integrated with employment policy. Yet, it is a form of the university to obtain more additional revenue and profit.

The experience of Sweden (Pouragheli, 2008) and USA (Lubienski, 2004) in implementing privatization policy of higher education is done through several policy instrument: 1) higher education is considered as a commodity where the output or the product should follow the market demand and supply chain; 2) higher education is strategically based on labor market; 3) rationalisation, for instance in making an efficient

budgeting and cost-benefit analysis; 4) university decentralization particularly in terms of economic autonomy; 5) diversification on budgeting, obtaining an alternative source of revenue instead of state fund only; 6) normative state funding; 7) state is not the only stakeholder who hold a responsibility over the university, organization is also able to possess the responsibility; 8) ratio improvement within lecturer and students; 9) issuing education guarantee; 10) supporting a private institution of higher education; 11) enhancing the relationship between industries and universities; 12) establishing entrepreneurship structure and culture within universities life.

From the perspective of neoliberalism, privatization of higher education is designated for generating human capital which can be beneficial for improving capital accumulation. Thus, privatization of higher education aims at ensuring the sustainable position of capital owners. In addition, universities are considered as an essential instrument of production and productivity. In the context of Swedish higher education, privatization is significantly positive since the privatization could improve the quality of education and create a conducive atmosphere for private higher education. On the other hand, several critics attack the privatization as a form of education distortion. We read in this pamphlet how the systematic withdrawal of public funds from CUNY is connected to a larger politics—expressed in global trade agreements such as NAFTA and now the FTAA—of destroying public institutions and replacing them with privatization (Bowen, 2002).

On the other hand, in Kenya (Maseno, 2005) and in developing countries, privatization of higher education brings more harm than the benefit. It creates more gap and inequality in terms of social or even gender. This is relevant with O Hara (In Gosh and Guven, 2005) states that globalization creates a contradiction and ignite a conflict between a) global capital and labor, b) global financial, c) global benefit and environment, d) global and local culture, e) global and local politic, f) global hegemony and terrorism issue. Guven emphasizes that globalization provides a channel for domination mechanism and creates an imbalance civilization. However, if the globalization media is used for initiating cross-civilization dialogue, several harms could be prevented. Gangopadhyay and Nath's (In Gosh and Guven, 2006) expose three major impacts of globalization toward sub-national government and local commodities and goods. First, globalization forces the sub-national government in India to take a serious debt. Second, the lowest government level fails to provide a minimum standard of goods and infrastructure for its society. Third, it causes the government unable to be independent and pursue their fiscal policy. As a result, it can be stated that globalization hampers developing countries and creates inequality within the countries.

Neoliberalism and Privatization Policy: A Procedural Approach

Neoliberalism, at first, is a political economic theory argues that human's welfare could be achieved by liberalizing a freedom, individual entrepreneur skill, and put them in the institutional framework. It is indicated by the strong private ownership, free market, and free trade. Neoliberalism also suggests a lesser intervention of government interest regarding the economy. It concerns on the free market method, and a less strict system on the business and also private ownership (Harvey, 2005; Junju, 2007; Smith, 2008). Neoliberalism plays as a human supposition of homo oeconomicus to be applied in the entire dimension of human living. Nurmi (2006) states that eventually, the perspective of economics will be used as a basic principle of all society institution. This aspect distinguishes between neoliberal economy and classical liberal economy.

Although global capitalism evolves rapidly, the basic principle of capitalism is not being left. The first basic principle of capitalism is constant capital which its function is to support a production process. In other words, it refers to material basis or production equipment. The second is Variable capital; labor as a production function. The third is a surplus value which refers to additional value from labor exploitation. The fourth is a market which performs as a place to trade the product. The fifth is investment place to invest an over-capital. The relationship between globalization and neoliberalism is like two sides of the same coin. As expressed by Lafontaine, states that globalization is a medium of neoliberalism spreading. In the other hand, talking about neoliberalism, it refers to the expansion of capitalist from advanced states.

Within the context of public policy in the third world countries, privatization policy is identical with government failure in intervening the entire aspects of policy as a result of imitation process toward reconstruction program of Europe Marshall Plan after the WWII (Ghos and Guwen, 2006). In addition, this is also a result of global demand through a conditionality or Structural Adjustment Programs (SAPs) in the early 1980s which was derived from the following ideas.

The Fund's move into 'structural' conditionality has had three thrusts:

1. to increase the role of markets and private enterprises relative to the public sector, and to improve incentive structures;
2. to improve the efficiency of the public sector, and
3. to mobilize additional domestic resources. (Killick, Gunatilaka, Marr, 2005 : 1)

During the process of establishing the appropriate paradigm for national development in the third world countries (including Indonesia), International bodies come to transplant the ideas which are applicable within the context of developed countries to the context of developing nations massively without taking into account how

to differ the endogenous aspect in each nation. Harvey (2005) claims that the influence of those developed nations is substantial. As well as in Indonesia that privatization of higher education is also influenced by International bodies such as UNESCO and other benefactor bodies.

In the western nations which were applied a liberal democratic system within two decades ago, there was a paradigmatic changing, in which the old-fashioned assumption regarding nation's welfare is being replaced by the current model of entrepreneur government. This current model commonly refers as New Public Management (NPM) in England (Barzelay, 2002:15) and Reinventing Government in USA (Minogue, 2000:17).

According to the perspective of policy implementation, privatization policy tends to utilize procedural and managerial approach. The procedural approach emphasizes on the process development and appropriate procedure, including managerial procedure and relevant management technique (Wahab, 1997:112). Privatization policy of higher education, therefore, performs as a medium to obtain and gain the profit as much as possible and achieve the maximum level of particular interest.

Osborne and Gabler (2003) suggest several principles of bureaucracy entrepreneurship: 1) directing instead of pushing, 2) empowering instead of facilitating, 3) opening competition instead of monopolizing, 4) undertaking mission instead of regulating, 5) result funding instead of input funding, 6) focusing on customer needs instead of bureaucracy, 7) focusing on resources finding than spending, 8) focusing on the prevention than solution of problem, 9) focusing on authority decentralization, and 10) resolving the problem using marketplace approach instead of generating public programs.

Minogue (200:19) explains that there are three reasons why privatization policy is needed. The reasons are related to stimulus in the form of changing pressure. The following reasons are 1) financial pressure, 2) quality pressure, 3) ideological pressure. Within the context of education in Indonesia, privatization comes because of financial pressure. It is due to the economic crisis faced by Indonesia and forces Indonesia to adopt private management model to the education services. Government funding is no longer given according to the amount of the students, but it is given according to the level of the 'produced' student. Thus, government appreciation considers the performance of the university. They are free to manage their process, but the result is measured by national standard through accreditation mechanism.

Another model within this approach focuses on the satisfaction of customers toward the services. It considers society as a customer in which the organization or institution need to be very responsive upon the necessity of the customers. The organization or institution also need to care about the perception of the customer regarding the services provided. The main purpose of the organization is to create a qualified standard of service. Therefore, it is important to conduct a measurement and determination for quality services. To fill the customer expectation the organization need a complete effort in terms of providing the services. The customer's dissatisfaction is a gap between expectation and reality. Further, it plays as a standard of quality services. Complain is a form of standard of quality services. In the context of higher education, students are considered as a finical customer who commonly feels dissatisfied and co-opted and exploited by the state and the university.

Neo-Marxist theory on the criticism of privatization of education

The underlying assumption which states that all society within a nation must obtain an appropriate education idealize a noble education construction and in line with the paradigm of education for all; to foster an education spirit which concern on the reality within lower class. In this framework, education is assumed to be equal and not categorizing a social class. The spirit of education will be directed to how the entire society can pursue the education services. Subsequently, it enables education not to have an expensive cost and aims at providing a true sense of education as a mean for an intelligence development and society potency improvement equally. In addition, education does not perform as a mean of improving the rich and lowering the poor.

The above-mentioned assumption is the ideal condition of education as a mean to improve society's intelligence. The hardest challenge of this state is to conduct education services in line with the Constitution of State of Republic of Indonesia of 1945 without capitalizing it. Also, Hill argues that education could play as a mean to combat the influence of global capitalism and foster socialist transformation. However, the potency to foster the transformation theoretically and practically is still questionable. The autonomy and agent available for individual teachers, teachers' educator, school, and other education institution face a challenge of capital and neoliberal project directed to education and the challenge is important to discover and understand the potency of education in making a transformation. Yet, it requires an extra attention and takes into account the autonomy level of educators (including art and culture practitioner) to initiate the transformation.

Neoliberalism, in fact, has misled the theory and policy regarding the education. In the current context of the global world, several practitioners and expertise argue that education and the market could be related. As Harvey (2005) views that the role of an education institution and the market coexists. It can be concluded that both education and the market is compatible. However, education is not expected to be a commodity. People could pay for an education, but it is not the true sense of education. Education supposes to not put people in an exception. This means that the education should accommodate all layers of people regardless the background. In

addition, education, higher education, should be more accessible to people. Murty (in Hill, 2006) notes that market determining motivation influences the preferences of a wealthy individual to pursue an available good, while education determining motivation suppose to enforce better understanding. Unfortunately, according to the definition, 'market' is defined as a media to fulfill the preferences of wealthy individual and market is 'hard-hearted'.

There is a counter-hegemony attempt to liberate state from International Capital Institution domination, however, the room and channel are not sufficient to counter the hegemony. Yet, in the other moment, the channel somehow is widely opened (the case of Western Europe and North America within the 1960s and 1970s). Insufficiently is due to the limitation of the counter-hegemony attempt, for instance, several potencies of egalitarian transformation. Nonetheless, education must not be exploited by privatization.

Concluding Remarks

According to the neoliberal perspective, privatization of education enforces an efficient and excellent quality of education. States (Education Ministry) and Industry are the stakeholders which will obtain the benefit. In the hand of state or government, they do not need to allocate a much amount of government revenue for education since society will also cover the cost. While within the private sector, they will attain qualified graduates which will be able to support their business. In addition, the wealthy individual will effortlessly pursue higher education with excellent quality.

Under the procedure of privatization policy, state universities tend to use mechanistic view of the organization instead of organism view, uphold instrumental rationality instead of substantive rationality, employ reductionistic instead of holistic in interpreting human structure and dynamic within the process of governmental. The dominant weakness of privatization is an exploitation of students in terms of universities and state's school capital. In addition, the mechanism of contract and agreement for any procurement influence the morality of staffs and educators.

Even though the privatization of education improves the quality of human resources to fulfill the demand of the market, it influences the morality and social issue within the education. It creates an elitist higher education in terms of the policy which actualize the society distrust upon the state university and widen the social gap as well as the social jealousy. In addition, the long-term privatization is contra-productive. As a result, it is imperative to deconstruct privatization policy within state university to enhance the role of the university to improve a social capital also instead of human resources only.

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