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## Chile's Educational Reform: The Struggle Between Nationalization and Privatization

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## Chile's Educational Reform: The Struggle Between Nationalization and Privatization

### Cover Page Footnote

I would like to thank Luisa Blanco for helpful feedback used to improve this article. All errors are my own.

# Chile's Educational Reform: The Struggle Between Nationalization and Privatization

Vannia Zelaya

## Abstract

This paper looks into Chile's educational system and the recent policy reforms that President Michelle Bachelet seeks to establish. More specifically, this paper explores the "Proyecto de Ley de Fin al Lucro, la Selección y el Copago," which aims to eliminate private for-profit institutions within the public system, admission selectivity, and mandatory copay fees. With this, Bachelet's administration and the Ministry of Education intend to end the inequality of access to education, which is part of Chile's broader problem of great socioeconomic inequality. This particular policy is part of Bachelet's comprehensive educational system reform, and it brings Chile's voucher system into debate. The voucher system is explored to determine whether Chile is able to improve its situation by maintaining a privatized and decentralized system, or if it should move towards a fully public and centralized system as directed by Bachelet.

## Introduction: The Chilean Example

Chile has long been a leading country in Latin America in many respects. According to policy analyst Juan Carlos Hidalgo from the Cato Institute's Center for Global Liberty and Prosperity, Chile is a leader in terms of "prosperity, transparency, human development and democratic strength," and education is not the exception (Castillejo, 2014). However, Chile's greatest problem remains socioeconomic inequality, and one of the sources of this inequality is the disparity in both the access and quality of education. To this day, Chile continues to struggle with improving the quality and the equality of access that its education system offers, despite decades of reform (Sanchez Zinny, 2014). Educational reform is of particular importance in the Chilean case due to its direct influence on inequality. According to Tamar Manuelyan Atinc and Carol Graham (2014) of the Brookings Institution, Chile has a Gini coefficient of 52.1 out of 65, which is indicative of high inequality that leads to opportunities being "skewed in favor of the rich." Chile's Gini coefficient surpasses those of far less developed countries like the Democratic Republic of the Congo, which ranks as a 47.3, and is considerably higher than other developed nations like Sweden, whose coefficient stands at 33.7 (UNDP, 2013). Moreover, in the case of Chile, it is the fact that not everyone has access to a good quality education that is propagating this vicious cycle of inequality. The current system makes it difficult for people with a low socioeconomic status to access better quality education, which results in limited opportunities for social mobility.

This is evident from the student protests that have occurred in Chile in recent years, particularly in 2006 during the administration of President Bachelet and in 2011 during the administration of President Piñera, and have continued intermittently to this day. As reported by journalist Rocío Montes for Chilean newspaper *El País*, the protests of 2011 resulted in death, injuries, and social unrest (Montes II, 2011). Students were protesting the lack of access to financial aid, which resulted in limited access to the public education system (Miroff, 2014). According to journalist Anthony Esposito, protesters were demanding "free and improved education," rooted in the fact that Chile has "the worst income distribution among the Organization for Economic Cooperation and Development's (OECD) 34 member states" (Esposito, 2014). For protesting

Chileans, education should be a guaranteed right, as it has been the key to addressing the nation's major source of inequality (COHA, 2011). As explained in a 2009 report by the OECD, in general "Chileans value education; they see it as the most important and surest path towards continued prosperity" (OECD, 2009).

It is precisely for this reason and in reaction to the many protests against this vicious cycle that President Michelle Bachelet has submitted a comprehensive education reform plan to the Congress. This plan has two main goals: improving the quality of education and its access (Esposito, 2014). Although this plan has several components, this paper focuses on the first policy that the government is seeking to pass in Congress, which addresses the equality of access to education. The specific policy in question is formally called "*Proyecto de Ley de Fin al Lucro, la Selección y el Copago*," which translates from Spanish to "Project of Law to end For-Profit Institutions, Selectivity, and Copay" (Ministerio de Educación, 2014).

By analyzing this policy, this paper will seek to determine whether President Bachelet's position to address the lack of access to education offers the best solution to the problem. The following section of this paper will present the pertinent historical background that led to the current state of the education system by providing a literature review of Chile's educational system, and its oscillation between privatization and nationalization up until today. The third section will provide an analysis of President Bachelet's proposed policy, which will be referred to as the LSC policy. The fourth section will then provide the necessary criteria to resolve the issue of access to education, along with possible alternatives to President Bachelet's policy. Finally, this paper will conclude with its fifth section by offering a policy recommendation that could best address the problem of unequal access to education in Chile.

## **Historical Overview: The Oscillating History of Chile's Education System**

### **A) Switches Between Centralization and Decentralization**

Chile's education system has undergone several changes over the decades in accordance with its political shifts between left and right-wing leadership, all of which have affected the accessibility to a quality education. The history of these political shifts is long, but to understand modern times, one can begin with the shift from socialist Salvador Allende to free-market oriented dictator General Augusto Pinochet. Prior to Pinochet's changes, the government provided free tertiary education and legally recognized only the degrees awarded by those tertiary institutions (Brunner, 1993, p 36). Allende also reformed the primary and secondary education system, all in light of Chile's economic downturn at the time, and offered "free quality education," as told by his daughter Senator Isabel Allende in an Associated Press interview (Henao, 2013).

According to the Council on Hemispheric Affairs (COHA), the education system took a more centralized approach once Pinochet took over, and the government defined everything, including "educational finance, teacher salaries, employment, and curriculum standards" for the vast majority of Chilean schools (COHA, 2008). This control was not only true for primary and secondary education, but also for tertiary education. According to researcher, scholar, and former Minister of State José Joaquín Brunner, Pinochet's military regime also held universities under tight control and reduced their autonomy (Brunner, 1993, p 36). This greater central control affected accessibility to education by the public, diminishing access but offering further discipline that improved quality. In the

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1980s, Chile began to face a difficult economy once again, and as economic reforms were sought the education system saw a departure from Pinochet's centralized approach to a more decentralized approach. This decentralized approach created many of the institutions that are still found in Chile today (COHA, 2008).

In regards to tertiary education, many institutions were privatized and required that students bear at least some of the attendance costs at all universities (Brunner, 1993, p 36). In the case of primary and secondary education, which is the levels of focus of the LSC policy, two main reforms were implemented to decentralize the system. The first put municipal governments in charge of their local schools. According to COHA, this particular reform created three types of schools that remain in Chile to this day: municipal and government-funded public schools, government-subsidized private schools, and fee-paying private schools. Furthermore, Chile's decentralization of the education system led to an 18 percent decrease in government spending on education. This lack of support led to further inequality, given that the wealthier municipalities could afford better schools, while less wealthy municipalities were left adrift (COHA, 2008). These reforms negatively impacted the quality of education offered in some areas, although the establishment of the three different types of institutions was meant to increase accessibility.

Following the first reform of giving municipalities control of schools, the second decentralization reform led to the privatization of part of Chile's schools. The existence of these private schools within the public system was enabled by the creation of a voucher system to help subsidize the costs of attendance for low-income students and to subsidize operation costs in some cases, which allowed for competition between schools. The voucher system improved accessibility to education by allowing low-income students the possibility to attend a private school. Furthermore, the creation of private schools enabled market competition that could incentivize the improvement of the quality of education overall, given that schools of both types now had to compete for the same students and could distinguish themselves through the quality offered. Additionally, because enrollment at private schools was less constrained by the financial capabilities of low-income students, the survival of institutions was left to be determined by market forces, meaning that the "inefficient and disorganized" schools were weeded out. According to data spanning from the 1980s to the late 1990s, enrollment in private schools increased by 40% while enrollment in public schools decreased by 22%, to some extent evincing the success of the voucher system at increasing accessibility to higher quality education (COHA, 2008).

### **B) Chile's Education Today**

Despite the success of the voucher system and the improvement of quality due to private institutions, the system has not rid itself of unequal access. With the continued increase of enrollment in private schools, public schools have been left with less government funds and, therefore, fewer opportunities to improve the education they offer. This has directly encouraged and increased unequal access, given that, although selectivity is in part due to increased demand, private schools have also raised their admission standards to limit admission to better-qualified students, who often end up being those of higher socioeconomic status. According to COHA, several researchers have found that Chile's private subsidized schools are less likely to admit vulnerable students. Vulnerable

students tend to be turned away because they have not amassed stellar education records or achievements due to socioeconomic obstacles they face. As explained by COHA, the private schools subsidized by the government have established discriminatory admission requirements and can deny students based upon poor school performance records or a lack of achievements (COHA, 2008). Due to their lack of financial resources and the lack of financial aid available aside from the voucher system and private bank loans, these students have no other option but to return to public schools that are free-of-charge (Miroff, 2014).

Such admission policies discourage the equality of access to good quality education despite the financial aid provided by the voucher system. This establishes a vicious cycle because the very socioeconomic obstacles that lower-income Chileans seek to overcome through obtaining an education are the same obstacles standing in the way of their access to a quality education. In other words, some lower-income Chileans find themselves unable to seek an education because of their socioeconomic status and they cannot seek to improve their socioeconomic status due to their lack of an education. The education system is currently leaving some lower income students trapped in their situations, unable to achieve the social mobility that an education is supposed to provide. These are the arguments made by many protesters who demand a change in Chile's education system, requesting free education for all (COHA, 2008).

Despite the obstacles that have come from privatization, Chile has still managed to make some improvement in terms of accessibility and quality of education, and this is the basis upon which some educators and leaders vehemently discourage any changes to the current system. According to the Chief of the Education Division at the Inter-American Development Bank, Emiliana Vegas, the divide today between low-income and high-income students has decreased in terms of their access to good quality education. Most children in Chile today are also likely to complete at least 12 years of education, which is a high achievement compared to much of Latin America. Vegas also highlights that Chilean students obtain the highest scores in the region on the Programme for International Student Assessment (PISA) standardized test, which implies an increase in education quality aside from improvements to accessibility (Sucre, 2014). Chile has also established a system that serves to assess education, providing analysis for improved policymaking. This assessment also provides insight about institutions to students and their families, allowing them to select better schools to attend, thereby diminishing the issue of access to information that was once a problem for lower-income students (Ferrer, 2006). With such optimistic results, many like Vega question why Chile would want to reform its education system through centralization and move away from a seemingly successful decentralized system. In agreement with Vega, Gabriel Sanchez Zinny from the Atlantic Council points out that Chile's education system is indeed "the best in Latin America" and it has led to "fast progress in terms of both access and quality" (Sanchez Zinny, 2014).

Aside from these improvements, others add that the timing for reform is bad in relation to the economy. An article by *The Economist* questions whether Bachelet is risking her country's growth through reforms. It explains that Chile's economy has not been improving and according to the Chilean government, the country's projected annual growth has decreased from an expected 4.9% to a 3.4%. According to this article, the idea of reforming the education system appears to be "reckless," given that the

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expenditure to conduct the reform may be an unnecessary investment, especially if the current education system still functions. Additionally, the neoliberal model under which the standing education system was instituted has provided Chile with annual growth, a decrease in the poverty rate, an increase in foreign investment, controlled inflation, and a healthy national investment fund (The Economist, 2014). These improvements suggest moving away from Chile's current neoliberal education model is a risky proposition.

Despite success, it still remains true that Chile's education system is deficient and calls for improvement. As explained by Montes, protesters and citizens alike believe that the current education system segregates much of Chile's youth, and this only exacerbates socioeconomic inequality (Montes, 2014). According to Sanchez Zinny, inequality is still so pervasive in the education system that "by the time students reach ten years old, their school performance already diverges sharply based on household income," despite the improvements that have been made (Sanchez Zinny, 2014). As predicted, inequality only increases as students move on to tertiary education, where 50.8% of attendees graduated from private schools and only 27% graduated from public municipal schools (COHA, 2008). With such problems, it is evident that Chile's current education system is in need of changes. However, the main issue should not focus on whether a socialist or neoliberal approach is best to address the problem but rather what solution can effectively address the deficiencies of the system.

### **Policy Analysis: The LSC Policy and its Critiques**

#### **A) How Would the LSC Policy Solve Inequality of Access to Education?**

In response to the aforementioned protests and to the pressing issue of inequality in Chile, President Bachelet has created a multilayered policy to reform the education system. According to a report on the educational reform written by Chile's Ministry of Education, President Bachelet stated in a speech given on May 21, 2014 that she considers education to be a social right that should not depend on the resources of students and their families. In accordance to these beliefs, President Bachelet and Chile's Ministry of Education have created a policy that has been submitted to Chile's Congress in parts, and which is to be carried out accordingly in two stages, with certain policies put into effect simultaneously (Ministerio de Educación, 2014).

To explain the multiple layers and the timeframe of the extensive policy, the Ministry of Education produced a map showing the four main axes of the policy. The first axis focuses on equalizing access to education by modifying the current institutional system. The LSC policy falls under this axis. The second axis relates to the improvement of the quality of the entire education system. The third axis focuses on improving the teaching profession track, both in terms of educating teachers and in the remuneration for their service. The fourth and final axis regards tertiary education, and it aims to make this educational level free of charge and to improve its quality. Certain policies within these axes are set to take place simultaneously, with the LSC policy first in line to begin the entire educational reform (Ministerio de Educación, 2014).

Further expanding on the multiple layers of Bachelet's entire education reform, the LSC policy itself has three major components. According to current Minister of Education Nicolás Eyzaguirre, the overall purpose of the LSC policy is to make education a "social right," and its three parts are aimed towards this overarching goal of increased accessibility. The first part is referred to as *Fin del Lucro*, and it prohibits

allowing the schools that receive government funds to continue operating as for-profit institutions (Eyzaguirre, 2014). As explained by Montes, this part directly addresses one of the main demands of the protests of 2011, which asked that no one profit from education (Montes, 2014). This part of the LSC policy requires that all institutions that receive government funds be designated not-for-profit and only serve for the purpose of education, otherwise they may not continue to receive government funds. This must be completed within two years following the approval of the LSC policy by Congress, with stipulations including the regulation of director salaries according to the complexity of their job and also the determination by the institution to purchase their establishment or continue to rent (Eyzaguirre, 2014).

The second part of the LSC policy is referred to as *Fin de la Selección* and it addresses the problem of discrimination that certain students face in the admission process of the private for-profit schools that receive government funds (Montes, 2014). In the current system, schools select the students rather than giving students the opportunity to select their preferred school (Bustos, 2011). More specifically, this part of the LSC policy divides the admission process into two parts, application and admission. In the application stage, the student would only submit their intent to join the school and the new policy would mandate that no interviews or tests be conducted in addition to not requiring any documentation of the student's academic or socioeconomic background. In the admission stage, if the school has space available, all of the applicants must be admitted. If the school cannot admit all of the applicants, the school must establish a selection system that prioritizes previous attendance at the school, having siblings in the school, or being the daughter or son of a member of the school's faculty or staff (Eyzaguirre, 2014).

As further explained by the Ministry of Education, once a group of applicants that meets these criteria has been selected, the remaining slots must be awarded on a randomized basis. Any schools that are found to violate this process will be subject to fines, and upon second offense, the school will have to use a transparent admission system provided by the Ministry of Education. Similarly, in order to expel or cancel a student's enrollment, the school will first have to provide academic advising or psychosocial counseling for the student to explore their options and the student must also be given the opportunity to defend their case. Furthermore, the student cannot be taken out of the school on a year in which it would be impossible for the student to be admitted elsewhere. Ultimately, the final decision must be made by the school's director and in consultation with the school's council (Eyzaguirre, 2014).

The third part of the LSC policy is called the *Fin del Copago* and this refers to eliminating copayments at government funded schools. The elimination of this fee is set to gradually decrease year by year until it no longer exists. While this gradual decrease is occurring, government funding for the schools will also be gradually increasing to ensure that schools can continue to exist. According to Minister Eyzaguirre, the data of this conversion shows that once all schools no longer charge a copay fee and are fully funded by the government, the income they receive will be greater than what schools currently receive from copay fees (Eyzaguirre, 2014).

In addition to the three parts, the LSC policy also recommends the establishment of transparency in relation to the financial status of the schools. The institutions are

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encouraged to publicly publish information regarding financing, expenditures, and other relevant budget items for transparency. The policy also adds that the opening of new institutions will only be allowed in areas with schools that are unable to meet demand and where the new school is different from schools already established in the area (Eyzaguirre, 2014). Both of these additions evidence the move away from a free-market education system, towards a socialist system.

### **B) Critiques of the LSC: Is Nationalizing all Public Education the Solution?**

Bachelet's policy seems to cover all bases and Chileans are divided; some support the LSC policy while others disagree. Even though the policy offers students much of what they requested, some continue to protest, accusing the government of creating reform that did not include them in the process (Montes, 2014). To some students, the biggest concern is the overall educational reform and the LSC must address the issue of privatization. They disagree with having for-profit private institutions that are within the public system and receive funding from the government. Both students and teachers argue that the existence of for-profit private institutions within the public system has led to the segregation of low-income students, who are more likely to attend lower-quality public schools due to the system's limitations. This has resulted in those lower-income students scoring low in the national standardized test *Sistema de Medición de la Calidad de la Educación* (SIMCE), which prevents them from advancing onto tertiary education. As explained by COHA, some students fear that Bachelet is seeking to maintain "Pinochet's creed of favoring those coming from wealthier backgrounds, while subjecting the poor to inferior learning standards" (COHA, 2008).

While some criticize the lack of citizen consultation, others criticize Bachelet's reforms because they seek to depart from the neoliberal model established by Pinochet, which allowed for privatization to exist in the education system. According to Hidalgo from Cato, it would be detrimental for Chile if Bachelet instituted her socialist educational reform, including policies like the LSC, because this would contribute to the elimination of Chile's free market economy. This economy was established by Pinochet in the 1980's and it led to a period of great economic growth that is regarded by some as the "miracle of Chile." As explained by Hidalgo, the establishment of Bachelet's educational reform would result in the "destruction of Chileans' opportunities for upward mobility by returning to previously unsuccessful socialist ways" (Castillejo, 2014).

Furthermore, another issue with Bachelet's policy is the source of its funding. The plan is to increase the tax burden by three percentage points of the GDP, resulting in a total of \$8.2 billion dollars, the majority of which Bachelet plans to use for her education reform. One of the political downsides to such increases in taxation is that they may not prove to be popular measures, particularly during difficult economic times and among those who will be taxed more. Additionally, an economic downside is that it is difficult to believe that an increase in taxation will not have an effect on investment and overall growth, as Bachelet's administration assures (The Economist, 2014).

In fact, the government has observed a considerable shortfall in economic growth from a forecasted 4.9% to 3.4%, according to *The Economist*. Due to this, conservative congressmen are calling for more deliberate action, as opposed to the "breakneck speed" at which the Bachelet administration is working. In response to this, Bachelet's administration argues that current policy reforms are meant to "destroy the antiquated

foundations” of Pinochet’s neoliberal model, and as thus are only adequate. However, as *The Economist* suggests, just as the neoliberal model has been of great service to Chile’s economic progress, the neoliberal roots and current free-market approach of the education system have also yielded great educational improvement for Chile. Reforms should be designed and implemented with caution so as to maintain what has worked (The Economist, 2014).

Overall, the neoliberal model has greatly contributed to decreased poverty rates, increased foreign investment, controlled inflation, and an improvement in Chile’s sovereign-wealth funds. Therefore, as further argued in *The Economist* (2014), “[i]f the system works, why overhaul it?” Similarly, the “largely privatized” education system has contributed to Chile’s development by contributing to the reduction of unemployment, corruption, and increased per capita incomes. The reason why many protest and why Bachelet seeks to completely reform the public education system is due to the lack of financial aid available and the rampant inequality that has only been encouraged by this system (Miroff, 2014).

The problem, therefore, is not the existence of private schools within the public system, but rather the lack of opportunities available for all students to have a choice in accessing better quality education to improve their socioeconomic status if they so choose. As the student protests of 2011 and 2012 proclaimed, the discontent with the current public education system lies mainly with the lack of financial aid available for those who cannot afford an education or private bank loans. As former politician and ambassador to the US Genaro Arriagada reasons, there is clearly a problem with the current public education system and it directly contributes to propagating Chile’s pervasive inequality. However, Arriagada argues that moving to a socialist system would be a mistake because Chile currently has a successful system. As he explains, what students want is “more affordable education and relief from their credit card debt,” and this does not necessarily require a departure from a functional and beneficial free-market system to a socialist model (Miroff, 2014).

Furthermore, a socialist move towards a fully nationalized system would limit all lower-income students to public education, given that there is no accessible financial aid like the voucher system outside of the public system. Private schools within the public system would cease to exist. The greatest problem with the current system is that it is deficient for students of low socioeconomic status, which limits them from contributing to Chile’s advancement and to their own personal development. Others who oppose Bachelet’s socialist approach to certain policies argue that establishing Bachelet’s educational reform will lead to an unfair system of equality. As explained in an editorial by Chilean newspaper *El Mercurio* (2014), Bachelet’s reform “obliterates a society of liberty and responsibility that is founded upon justice, where just merit is awarded to creativity, pluralism, and effort.” The editorial, which was written by leaders within institutions and foundations for development and liberty, also adds that it is not wrong that for-profit subsidized institutions exist (Acosta, 2014). The authors argue that the solution is not to eliminate the diversity of educational institutions because this would limit those that offer special programs for students with special talents and thus, limit the possibilities for those students to improve their lives and Chilean society (Acosta, 2014). Moreover, they believe that the focus should lie on the results schools are able to obtain, regardless of their financing (Acosta, 2014). Their solution is to have the government

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focus on regulating the quality and efficient use of resources as opposed to eliminating the diversity of schools in the system (Acosta, 2014).

As quoted in an article by *The Economist*, Bachelet assures that her administration will not “undo all the good work that’s gone before,” adding that it is committed to public-private partnerships and a free market economy with foreign investment and free-trade agreements. However, her reasoning behind reforming the entire education system is that, as evidenced by persistent student protests and general public discontent, the education system is not performing at its best and must be reformed. Thus, her solution is to completely nationalize the public education system to eliminate the inequality of access, among other deficiencies of the current system (The Economist, 2014). Following strong arguments both on the part of Bachelet’s pro-nationalization administration and on the part of those who wish to conserve the free-market aspects of the education system, the question at the core of the debate remains: What is the best way to resolve the inequality of access to education? This can be answered by taking a closer look at the proposed reforms.

### **The Criteria to Success and the Alternatives to the LSC Policy**

#### **A) The Criteria for Successful Reform**

It is important to note that, as evinced throughout this entire analysis, access is closely tied to quality, and one cannot be addressed without addressing the other. If done otherwise, policies will not be successful because in the case of Chile, increased access has proven ineffective without regard to quality, and increased quality has also proven ineffective without regard to improved access (COHA, 2008). Following the critiques above and the issues established throughout this analysis thus far, four criteria would be required for a successful policy to address the equality of access to education. The first criterion is the maintenance of quality, as this is a necessary component to ensure that the established education system can produce professionals that will contribute to Chile's progress and who can compete in the nation’s economy to improve their socioeconomic status (Acosta, 2014).

The second criterion is ensuring that there is no school-type advantage. As the system is today, private schools subsidized by the government have an institutionalized advantage because they have access to greater funds, both from the voucher system and from charging attendance fees. This, as explained previously, allows for these schools to offer better quality, leaving the non-profit public schools and its students at a disadvantage (COHA, 2008).

The third criterion is ensuring the established system discourages any socioeconomic discrimination. The current system discriminates against students with a lack of academic achievement and this prevents disadvantaged students from seeking to improve and change their socioeconomic status (COHA, 2008).

The final criterion would be that any established system encourages transparency. Whether the chosen system obtains government funds or whether it encourages privatization, the system needs to encourage the transparent use of funds to avoid a discrepancy, where certain schools obtain more public government funds than others or where funds are mismanaged or used inefficiently (Eyzaguirre, 2014).

**B) The LSC and Other Possible Alternatives**

Having reviewed the history of Chile's education system, the proposed LSC policy along with its critiques, and having established the criteria that is needed for successful reform, there are four clear possibilities for Chile's education system (See Table A). These options include Bachelet's LSC policy and three alternatives. The first option is the most simple and it is the one argued by many educators and leaders who are within the current system. This option is to maintain the current system as it is (Sucre, 2014). This system does not meet the criterion of quality because it does not encourage further private school improvement, and it still prevents the public schools from improving. The advantage of for-profit private institutions is also innate to the system, so this does not meet the second criterion of no-school-type advantage. As evident from the ongoing protests and discontent, this option also does not address the socioeconomic discrimination of certain students within the system. The only criterion met would be number four, as the Chilean system currently requires the public reporting of budget uses by law (MINEDUC, 2014).

Considering the protesters' critique that the government should not fund private institutions that could fund themselves, a second alternative would be to only fund public government institutions (COHA, 2008). This alternative would leave the private for-profit institutions without government funding, and it would meet criteria two, three, and four. This option meets criterion two because it would eliminate the school-type advantage that for-profit institutions have within the current system by entirely barring them from the public system. This option meets criterion three because the publicly funded institutions do not discriminate against students based upon socioeconomic background, since they would be the only institutions available in the public system. Additionally, this option meets criterion four given that the government already has a system for transparency in place for the budget spent on education (MINEDUC, 2014). This option, however, does not meet the first criterion because it would hurt quality by eliminating the healthy competition that encourages the improvement of Chilean education. This option also exacerbates Chile's problem of inequality by depriving less affluent students the opportunity of attending the better quality private schools that could improve their socioeconomic condition.

The third alternative would be to implement Bachelet's LSC policy. This third option involves the nationalization of all schools within the system, including the private schools, through the policy's three proposed strategies (Eyzaguirre, 2014). The government would fund the entire system of schools through an \$8 million increase in taxes and for-profit institutions would be eradicated (Montes, 2014). This policy meets criteria two, three, and four as it eliminates both the school-type advantage and the socioeconomic discrimination faced by students, and it establishes a requirement for transparency in budgets. However, this policy does not assure the maintenance of quality. The first part of the LSC policy, which would prevent private for-profit schools from existing in the system, automatically reduces (and could possibly eliminate) competition. Competition among schools is precisely what fosters improvement in quality and it also increases the variety of opportunities available for Chilean students (Acosta, 2014). As thus, eliminating competition within the system makes the improvement of public education's quality more challenging and less dynamic, and it may also harm Chile's

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economy by limiting the development of its human capital (The Economist, 2014).

The fourth and final alternative suggests the use and improvement of one of the tools that was created specifically to diminish socioeconomic inequality: the voucher system. According to a study conducted by the *Universidad de Chile* and Yale University, “the Chilean voucher system succeeds as an instrument that provides social mobility” (Contreras, 2001). This option focuses on the expansion of the voucher system by increasing taxpayer funds, and it meets all of the required criteria. The first criterion of quality is met because this option aims to maintain private for-profit institutions within the system, allowing for the necessary competition that encourages the improvement of quality. This option meets the second criterion of no school-type advantage by discouraging the disbursement of government funding to for-profit institutions for operational costs, only allowing them to receive voucher funds to cover the cost of attendance of each student who demonstrates financial need. This would eliminate the current subsidy advantage private institutions have over public schools. This option meets criterion three because the expansion of the voucher system would prevent the discrimination of students based upon their economic background. Additionally, much like the LSC, it could require an admission mechanism that focuses on academic abilities and penalizes schools for discriminating students for any other reason. Finally, this option certainly meets criterion four, as the Chilean system already requires the transparent use of voucher funds (MINEDUC, 2014).

**Table A: LSC and the Alternatives**

	<b>Criteria 1: Quality</b>	<b>Criteria 2: No School-Type Advantage</b>	<b>Criteria 3: No Socioeconomic Discrimination</b>	<b>Criteria 4: Transparency</b>
<b>Option 1: Maintain current system</b>	☐	☐	☐	x
<b>Option 2: No gov't funds for the private schools</b>	☐	x	x	x
<b>Option 3: Bachelet's LSC</b>	☐	x	x	x
<b>Option 4: Expand Voucher System</b>	x	x	x	x

**Conclusion: Expanding the Voucher System is more Advantageous than the LSC Policy**

The LSC policy offers several measures for attaining the end goal of reducing inequality, as it aims to increase accessibility and reduce the barriers of access by students from lower socioeconomic statuses. However, seeking to eliminate for-profit schools will harm the quality that the system offers, and this may decrease the overall advancement of the Chilean education system by causing stagnation and limitations. In seeking to establish equal access for all, the LSC policy upholds the provision of eliminating competition, and this is detrimental to both the system and the students. Therefore, it is necessary to maintain the current diversity in the system to offer lower-income students an opportunity to rise above the socioeconomic inequality that pervasively exists among Chileans (Acosta, 2014).

The solution to much of the accessibility problem, without sacrificing quality, could be to expand the voucher system. According to Manuelyan Atinc from the Brookings Institution, investing additional public resources in education may be the best way to address the social unrest brought about by inequality (Manuelyan Atinc, 2014). This is supported by evidence that the voucher system has been a successful tool in increasing social mobility, and as further stated by the aforementioned study from the *Universidad de Chile* and Yale University, this is why “Policy makers should support a voucher system and increase its availability” (Contreras, 2001). Furthermore, the voucher system considers the individual and allows students to advance on to a better socioeconomic position. A centralized system such as the one Bachelet is proposing with the LSC policy may unfairly equalize all students, providing the same level of education to students who wish to advance further and to those who do not (Acosta, 2014). As proven by the success of Chile’s current education system, investing in educational diversity will yield better results to diminish inequality than eliminating the for-profit private institutions within the public system. It is an expanded voucher system that will offer the most effective way to diminish the harmful socioeconomic inequality that is preventing Chile from further development.

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