

2018

"I Can't Get No ... Education"-- Rolling Stones (Chilean Version)

Chris Hurley

Follow this and additional works at: [https://chicagounbound.uchicago.edu/
international_immersion_program_papers](https://chicagounbound.uchicago.edu/international_immersion_program_papers)

Recommended Citation

Hurley, Chris, "I Can't Get No ... Education"-- Rolling Stones (Chilean Version)" (2018). *International Immersion Program Papers*. 81.
https://chicagounbound.uchicago.edu/international_immersion_program_papers/81

This Working Paper is brought to you for free and open access by the Student Papers at Chicago Unbound. It has been accepted for inclusion in International Immersion Program Papers by an authorized administrator of Chicago Unbound. For more information, please contact unbound@law.uchicago.edu.

Chris Hurley

24 June 2018

International Immersion Program – Chile

“I Can’t Get No ... Education” – Rolling Stones (Chilean version)

I. Introduction

Education in Chile is one of the foremost topics animating discussion in that long, South American Country. Tertiary education, in universities specifically, has been one of the most pressing policy matters the country has faced since the transition to democracy. The student movements, such as the Libertarian Students Federation, protesting the poor quality of Chilean universities from 2011 onwards brought about Michelle Bachelet’s government in 2014,¹ and the failure to fully reform them subsequently brought her coalition down in 2018.² Bachelet’s 2014 education reforms were extensive, including policies ranging from a ban on for-profit education to a guarantee of free university tuition.³ These policies were extraordinarily expensive, requiring several rounds of tax reforms in order to pay for them, and in many cases rushed without thinking of the secondary consequences. Unfortunately, these taxes hit in tandem with a reduction in the global price for copper, Chile’s main

¹ Education reform was one of the planks of her candidacy. *Bachelet aseguró que uno de sus objetivos es lograr la gratuidad en educación en seis años*, CNN Chile (Sept. 8, 2013), available at https://www.cnnchile.com/pais/bachelet-aseguro-que-uno-de-sus-objetivos-es-lograr-la-gratuidad-en-educacion-en-seis-anos_20130808/.

² *Chile’s once and future president, Michelle Bachelet, wins runoff election*, The Guardian (Dec. 15, 2013), available at <https://www.theguardian.com/world/2013/dec/15/chile-president-michelle-bachelet-wins-election>.

³ Laurence Blair, *Despite a Decisive Win, Pinera’s Term in Chile Won’t be Business as Usual*, World Politics Review (Jan. 17, 2018), available at <https://www.worldpoliticsreview.com/articles/23990/despite-a-decisive-win-pinera-s-second-term-in-chile-won-t-be-business-as-usual>.

economic indicator, further creating a drag on economic growth and sowing the seeds for the conservative party to regain control. In addition, the reforms did not have the intended effect either, with some relatively well-performing for-profits shutting down and increasingly over-crowded universities operating without the sufficient funding for such capacity. Chile's education reform is a cautionary tale of expansive promises meeting with brutal, economic realities, with lessons for student movements and education reformers across the globe.

II. Background of Chilean Higher Education

A country with immense wealth and a history of distinguishing itself from its neighbors in terms of progress, Chile has a relatively well-developed education system (to say nothing of its quality). The Chilean higher education system broadly breaks down into three categories, Technical training centers, professional institutes, and universities:

Classification of Higher Education Institutions	
Type of Institution	Degrees Offered
Centro de Formación Técnica (technical training centers, 69 total)	2 - 3 year Técnico (Technician)
Instituto Profesional (Professional Institute, 45)	Título Profesional (Professional Title - and categories above.
Universidad (University, 60)	- Título Profesional, Licenciado (undergraduate) - Magister, Doctor (graduate) - and all categories above.

The main difference between them is the type and length of training provided, with universities focusing on “formal academic training” while the others focus on “developing

practical work skills.”⁴ Almost all of the attempts at reform have taken aim at the universities, where the future of the knowledge economy of the 21st century is at stake. However, it should be worth noting that several provisions of the reform applied to the other high education institutions as well, including provisions for free tuition and the ban on for-profit organizational structures, the latter of which fell hardest on the other two categories where most of them were for-profit.⁵ There is a long history of university education in Chile, but until 1981 there were only 8 formal universities even by 1981.⁶ They, along with several other universities established during an early reform period in the 80s, form what is now called the “traditional universities.” These traditional universities were not as under-achieving as many of the universities in Chile, but they were targeted nonetheless by both the ire of reformers and the reforms themselves. Based on conversations with several students and alumni of these universities in Chile, the impression was that these elite tier schools, such as Universidad Catolica and Universidad de Chile, were not truly serving Chilean society by remaining so restrictive in terms of enrollment. With the government supplying only about 20% of their operating budgets,⁷ Chilean universities are also unsurprisingly among the most expensive in the developed world, costing about \$7,600 on average per year for public universities.⁸ Only American and British private universities have higher prices when accounting for relative GDP’s per capita.⁹ In Chile, this expense amounts

⁴ Maria Arango, Stuart Evans, and Zaitun Quadri, *Education Reform in Chile: Designing a Fairer, Better Higher Education System*, Woodrow Wilson School of Public & International Affairs (January 2016), available at https://www.princeton.edu/sites/default/files/content/Chile%20Workshop%20Report_HigherEd%203.15.pdf.

⁵ Jason Delisle and Andres Bernasconi, *Lessons from Chile’s Transition to Free College*, The Brookings Institute (Mar. 15, 2018), available at <https://www.brookings.edu/research/lessons-from-chiles-transition-to-free-college/>.

⁶ Kevin Rolwing, *Higher Education in Chile*, World Education News + Reviews (Dec. 6, 2013), available at <https://wenr.wes.org/2013/12/introduction-to-the-higher-education-system-of-chile>.

⁷ Id.

⁸ Jason Delisle and Andres Bernasconi, *Lessons from Chile’s Transition to Free College*, The Brookings Institute (Mar. 15, 2018), available at <https://www.brookings.edu/research/lessons-from-chiles-transition-to-free-college/>.

⁹ Id.

to half of the median family income. This results in a system where the less-affluent have to take out large loans in order to complete their schooling.¹⁰ Despite this heavy expenditure, mirrored at the primary and secondary levels, Chilean educational outcomes are well below OECD averages.¹¹

Private actors provide the majority of tertiary education in Chile. For example, 56% of university students in Chile were attending a private school in 2012.¹² As a point of reference, only about 16% of American university students attend a private school.¹³ However, unlike America, a larger portion of the private schools in Chile were operated as for-profit business organizations. While Chilean enrollment in higher education has reached levels similar to the rest of the developed world, youth unemployment has stood at almost double the national average.¹⁴ In addition, a speaker at the US Embassy pointed out that, despite the age of the knowledge economy, start-up rates and R&D spending, both closely associated with universities and university students, remains well below OECD averages.

As detailed below, the Bachelet government's attempts at reform, though nobly-intended, failed to fully address the problem, compounding the fact that these reforms are occurring at such a critical period in global technological history. Overall, Chile's history of university education illustrates a system leaving much to be desired. The relatively consistent failure of governments across the spectrum to modernize its university system or create

¹⁰ Kevin Rolwing, *Higher Education in Chile*, World Education News + Reviews (Dec. 6, 2013), available at <https://wenr.wes.org/2013/12/introduction-to-the-higher-education-system-of-chile>.

¹¹ *Education Policy Outlook Chile*, OECD (November 2013), available at

http://www.oecd.org/chile/EDUCATION%20POLICY%20OUTLOOK%20CHILE_EN.pdf.

¹² Kevin Rolwing, *Higher Education in Chile*, World Education News + Reviews (Dec. 6, 2013), available at <https://wenr.wes.org/2013/12/introduction-to-the-higher-education-system-of-chile>.

¹³ Lynn O'Shaughnessy, *20 Surprising Higher Education Facts*, U.S. News and World Report (Sept. 6, 2011), available at <https://www.usnews.com/education/blogs/the-college-solution/2011/09/06/20-surprising-higher-education-facts>.

¹⁴ Christian Cabalin, *Students March for a Better Chile*, The Guardian (June 22, 2011), available at <https://www.theguardian.com/commentisfree/2011/jun/22/students-march-chile-education-protests>.

similar types of outcomes to other developed nations is a huge blemish for a country that has made strides in so many areas and has seen income growth and prosperity at a level beyond every other nation in South America. This is especially true for the 21st century, where university education plays such a crucial role in the modern knowledge economy.

III. The Reforms

After the election of Michelle Bachelet in 2014, A gigantic re-write of Chilean education began. Her government followed through on the education reform promises she had made. A series of bills covered topics ranging from removing autonomy from several regional university systems and giving to a central authority to a ban on for-profit education entities. In a recent development, the Chilean Constitutional Court actually struck down the law banning the operation of for-profit educational institutions in a 6-4 decision.¹⁵ As for the removal of autonomy, the government took a more active role than ever before in the management and accreditation of universities, as explained to us by a Chilean education expert. The argument was that the regional governments in the provinces were doing a poor job overseeing the universities in their areas. He added, however, that some of the problem was simply a lack of training and deep institutional knowledge, which is impossible to mandate into existence. In fact, he said that teachers and workers in the education field generally were slowly getting better and gaining such knowledge, but he acknowledged that it was not going as fast as it could have been.

¹⁵ *Court Strikes down ban on for-profit Chilean Universities*, The Santiago Times (Mar. 28, 2018), available at <http://santiagotimes.cl/2018/03/28/court-strikes-down-ban-on-for-profit-chilean-universities/>.

However, the most well-known change is the provision for free university tuition for lower-income, also known as *Gratuidad*.¹⁶ As originally introduced, the law provided free tuition to students in the lower 50 percent of the income distribution, subsequently expanding to 60 percent by 2018.¹⁷ While not all universities are covered (there are requirements including heightened accreditation standards and some opt-in elements), most are and those that are have had to expand the number of students they take.¹⁸ This is covered by a per-student subsidy that the universities receive from the government, determined by a formula.¹⁹ The formula turned out to be very expensive, costing over \$800 million, even in the pared down form of only covering 50 percent of the income scale.²⁰ The subsidy supplants existing aid, which primarily subsisted of subsidized loans and scholarships.²¹ However, 15 percent of university entrants in 2016 would not have enrolled under the pre-existing financial aid scheme according to the government.²²

IV. Impact of Reforms

Given how recently the reforms were enacted (and continue to be phased in), it's too soon to fully examine their effects with a high degree of accuracy. However, the results thus far don't look particularly promising beyond a limited increase in enrollment for lower income students.

¹⁶ Jason Delisle and Andres Bernasconi, *Lessons from Chile's Transition to Free College*, The Brookings Institute (Mar. 15, 2018), available at <https://www.brookings.edu/research/lessons-from-chiles-transition-to-free-college/>.

¹⁷ Id.

¹⁸ Id.

¹⁹ Id.

²⁰ Id.

²¹ Id.

²² Id.

We spoke with a Chilean consultant who formerly worked in the Education Ministry, and he explained several elements of the law and their effects, albeit with much of the evidence being anecdotal. He focused in particular on how the ban on for-profit organizations, enacted after a media and student movement focus on several particularly bad actors, ended up sweeping many legitimate and high-performing institutions under its purview and destroyed several that could not or would not transition into a non-profit. The expert also explained that the greater oversight taken by the central government (particularly in accreditation) failed to achieve any greater results than the regional governments or ensure any measurable increase in quality or accountability. Furthermore, and perhaps predictably, the impact of the reforms has been uneven across universities. The three institutions that took in the most *gratuidad* students are the least selective of the universities covered by the program.²³ There is also some support for the notion that the increased enrollment for lower income students would have been the same if the government had expanded its existing scholarship programs by removing academic requirements.²⁴

Even the impact on lower-income students hasn't been a universally positive outcome. Studies of similarly introduced free tuition in other countries indicate that enrollment will decline for lower-income students and "push those who do enroll into lower quality institutions" in the long run.²⁵ As seen elsewhere, wealthier students and families often capture many of the benefits of the program. An MIT scholar actually predicted that the effects of *gratuidad* will actually lead to a 20 percent decline in the number of lower-income students that enroll in universities relative to before the reform as middle and upper

²³ Id.

²⁴ Id.

²⁵ Id.

income students crowd them out of the admissions process.²⁶ This results from the fact that lower income students will often have lower test scores than their middle and upper income counterparts, thus crowding them out of the more selective universities where middle-income students, newly eligible for aid, can now attend.²⁷

The problems posed by the reform for prospective Chilean university students are compounded by their effects on universities' budgets, which have to cope with increasing numbers of students with fewer resources per head. The government generated its per student subsidy based on a combination of the length of accreditation (to determine quality) as well as the average tuition charged before the reform.²⁸ Nonetheless, the funding was still insufficient to cover cover the costs the universities faced by the newly "free" students.²⁹

As for the inability to cope with rising numbers of students, the burden has fallen hardest on the traditional universities, as a Brookings Institute report detailed³⁰:

As the case of Chile shows, the country's most prestigious universities, which have the highest cost structures, now face budget deficits because of gratuidad. They will likely have to cut spending to make up for declining revenue. In the U.S. higher education system, higher spending by institutions is often associated with greater quality, and research also shows that higher spending leads to more degree attainment, particularly at less selective institutions.

This is particularly unfortunate considering how the traditional universities of Chile were the few that were operating fairly well, illustrating the trade-off of quality v. equality that

²⁶ Alonso Bucarey, *Who Pays for Free College? Crowding Out on Campus*, MIT (Jan. 16, 2018), available at <http://economics.mit.edu/files/14234>. The author of that paper pointed out that only capacity expansion or means testing of benefits could counteract the problem he detailed.

²⁷ Id.

²⁸ Jason Delisle and Andres Bernasconi, *Lessons from Chile's Transition to Free College*, The Brookings Institute (Mar. 15, 2018), available at <https://www.brookings.edu/research/lessons-from-chiles-transition-to-free-college/>.

²⁹ Id.

³⁰ Id.

shouldn't have to be made when reforms are implemented properly.³¹ For a country that already struggles to ensure educational quality, any further potential reduction is inexcusable makes any progress in the future more difficult.

The reforms also proved to be highly expensive, and they required several rounds of tax code reforms just to pay for them, the iterations coming from the fact that they weren't covering as much of the reform as originally expected.³² These reforms hit, as explained before, as the price for copper fell precipitously. Given the reforms' expense, they created a drag on the economy that didn't need to exist at a time when the Chilean economy was already limping, fomenting conditions for more discontent in the future.

What is so tragic is that, in the words of the Chilean education expert, the reforms expended precious political capital that could have been used on far better and more substantive reforms for what is legitimately a widely acknowledged problem in Chile. These theoretical reforms could have taken a ground up approach and focused on investments at every level of Chilean education. They also could not have taken such a blunt approach, such as targeting the worst for-profits instead of banning them all outright, and they could have taken an individualized approach to financial aid that neither penalized universities nor diminished enrollment for lower-income students.

³¹ Carlos Pena and Eduardo Silva S.J., "*A Gratuity Without Reform*," El Mercurio (Mar. 27, 2017), available at <http://www.elmercurio.com/blogs/2017/03/27/49870/Una-gratuidad-sin-reforma.aspx>.

³² Eduardo Thomson, *Rich Deducting Groceries in Chile Target of Bachelet Plan: Taxes*, Bloomberg (Apr. 14, 2014), available at <https://www.bloomberg.com/news/articles/2014-04-14/rich-deducting-groceries-in-chile-target-of-bachelet-plan-taxes>.

V. Conclusion

Education is fundamental. It is the lifeblood of any society. It is the best guarantor of liberty, equality, and, of course, economic development. And yet, in Chile, universities are in a rough state. Before the reforms, they barely serve the students who are able to attend, and they don't reach enough students from lower-income families. Now, after the 2014 education reforms, they barely serve the students who are able to attend, and they don't reach enough students from lower-income families. The few that performed well struggle with increasing demand and insufficient resources to serve it, and the students who were the intended recipients of tuition assistance currently find or will find themselves struggling to compete for a spot in the system. The lessons of reform and promises broken holds tremendous lessons for Chile and the world. Many modern education reformers focus on the promise of free tuition. It's a topic that has been picked up by politicians as well - it was one of the central planks of Bernie Sanders's candidacy that captured America's youth. Free tuition promises and a promise to bluntly crack down on particular categories of educational entities, like for-profits, is no panacea for problems in education. That all said, this should not diminish the goals of the reformists in Chile or elsewhere. They should continue to strive and take lessons from the Chilean experience. One of the primary focuses of the new Chilean administration was to be on the business climate and encouraging economic growth, not education. And yet, barely a month into his term, newly inaugurated President Sebastian Pinera faced another wave of student protests.³³ This is a problem for Chile that is not going away any time soon.

³³ *Chile's students launch first protest under Pinera administration*, Reuters (Apr. 19, 2018), available at <https://www.reuters.com/article/us-chile-students-protest/chiles-students-launch-first-protest-under-pinera-administration-idUSKBN1HQ2TO>.