Friedman's School Choice Theory: The Chilean Education System

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1. Introduction

On May 21, 2011, precisely when the president of Chile Sebastían Piñera was ready to address the Chilean parliament regarding legislative initiatives for the upcoming year, more than 20,000 students gathered outside the parliamentary building calling on the government to address problems within the education system. Diego Vela, president of FEUC, a prominent student organization, stated the following: "Since it is a year with presidential and parliamentary elections, it opens up the opportunity to influence the main platforms and look for structural changes" (I Love Chile). President Piñera's speech, however, ignored student demands, and consequently students intensified their campaign by announcing new rallies and threatening an indefinite strike if government did not meet their demands. Students began overtaking schools and universities. Books were burned and school desks were used to barricade school entrances (Guzman-Concha 2013, 413-414).

The protest begun in May 2011 is just one of many incidents showing a societal rejection of the Chilean education system. Each year student organizations stage protest campaigns in March, the beginning of the academic year in Chile. The intensity of the demonstrations varies and usually reaches its max between May and June. Major unions, public sector workers, university chancellors and faculty members, and even popular television celebrities join the protesting students at times (Guzman-Concha 2012, 412-413). McEwan et al. describe Chilean society's dissatisfaction with the following:

> Chile is perhaps the only country in Latin America where a majority of citizens list education quality and equity as one of their main political concerns and education issues are regularly featured in the media (2008, 25).

Popular rejection of the school system is significant not only for Chile but also for advocates of School Choice Theory. The Chilean school system is referenced in school choice literature as an example of Milton Friedman's School Choice Theory in action. Researchers often conclude that Friedman's School Choice Theory is unsuccessful because they see the Chilean education protests as an indicator that the system has failed.

This thesis examines whether the Chilean school system is indeed an example of Friedman's school choice. When the Chilean case is examined closely it becomes clear that while scholars and journalists label the Chilean education system as a Friedman-style school choice system, its implementation of school choice principles has fallen critically short of the mark.

This thesis seeks to contribute to related literature by redefining the Chilean school choice system. The Chilean education system is not an example of Friedman-style school choice; instead, it is an example of the incomplete implementation of Friedman's ideas. The Chilean government's half-hearted approach to School Choice Theory has resulted in many of the current education protests that rock the country. Whereas the fundamental principles of School Choice Theory function holistically, the lack of adequate implementation of just one principle greatly affects the implementation of other principles.

To demonstrate this conclusion, I will first provide necessary context through a discussion on Chilean sentiments toward education. A brief synopsis highlighting the rationale of the connection between Milton Friedman and Chile will follow. Next, in order to provide a foundation for my subsequent analysis, I will discuss a perfect application of Friedman's School Choice Theory. Central to this discussion, I will define three aspects of Friedman's theory that I

deem critical to his voucher plan: competition, decentralization, and parental demand. These elements of Friedman's theory will then be examined in regards to their implementation in the Chilean education system. The thesis will conclude by assessing the validity of the claim that Chile's education system, with its attendant problems and resulting social rejection, represents a failure of Friedman style school choice.

2. Chileans' Rejection of their Education System

A discussion of education policy in Chile must start in the 1960s with the administration of Eduardo Frei, Sr. During this time, liberal parties recruited from the Chilean student population, and these student organizations became training grounds for future party leaders. As a result student values tended to center around free education and government oversight. Under the educational policies of the 1960s and 1970s, teachers became accustomed to centralized wages and labor protection. Education was considered a free public good (Guzman-Concha 2013, 413-414).

In 1970 Salvador Allende took office and began socializing main sectors of society. In regards to education, he sought to broaden opportunities through institutional and curricular reforms reflecting socialist political beliefs (Delannoy 2000, 7). These reforms were never implemented, however, because on September 11, 1973, a military coup d'état directed by General Augusto Pinochet, commander of the Chilean Army, resulted in the replacement of Allende's administration (Smith 2000, 177).

General Pinochet instituted neoliberal reforms and privatized the majority of entities that had previously been operated publicly including one hundred-sixty corporations, sixteen

banks, three thousand-six hundred agro-industrial plants, mines, real estate, and the education system (Collins and Lear 1991). Many Chileans opposed Pinochet's military dictatorship and its neo-liberal agenda. At the forefront of disagreement to the regime were university and secondary students. Teachers also joined in opposition to the decentralization and free-market principles implemented in the education sector (Delannoy 2000, 7-8). These Pinochet era reforms were in direct opposition to the societal values of free education and central oversight that were developed during the 1960s and 1970s.

Since the end of Pinochet's administration, the liberalist Chilean government has attempted to appease an upset populace through softer policy changes (Delannoy 2000, 13-14; McEwan et al. 2008, 24). Examples include increased funding for students using public transportation and the creation of a presidential advisory board on education, which included twelve seats for select students (BBC News 2006). These newer policy actions have not quelled the Chilean people's concerns.

3. Friedman and Chile

The temptation to cast Chile's education system as an exemplar of Friedman's School Choice Theory is based in two aspects of Chile's education history: 1) the Chicago Boys and their relationship with Milton Friedman, and 2) Friedman's subsequent visit to Chile in 1975. The apparent connection between Friedman and Chile is indeed conceivable, but, as will be shown in the next section, this association does not necessitate a strong correlation between Friedman's School Choice Theory and Chile's education system.

The main architects of Chilean economic and education reforms in the 1970s and 80s were members of a group called the Chicago Boys. These students, originally from the *Universidad Católica* in Santiago, were sent to Chicago in an effort by the US State Department to counter growing trends toward isolationist policies in the Chilean political system (Klein 2007, 59). Approximately 100 students received degrees in economics from the University of Chicago between 1957 and 1970. Friedman was a professor in the economics department at the time they were in attendance at the university (Letelier 1976). Klein commenting on the Chicago Boys said the following:

> [The Chicago Boys are] a striking example of an organized transfer of ideology from the United States to a country within its direct sphere of influence... the education of these Chileans derived from a specific project designed in the 1950s to influence the development of Chilean economic thinking. They introduced into Chilean society ideas that were completely new, concepts entirely absent from the 'ideas market' (2007, 62).

Prior to the military coup he orchestrated on September 11, 1973, General Augusto Pinochet was introduced to the Chicago Boys and their text, *El Ladrillo*, a manifesto outlining their policy recommendations for Chile (Hoover Institute 2013). The ideas expressed in *El Ladrillo,* meaning *the brick,* were representative of the Chicago Boys' training in economics at the University of Chicago. Many of the concepts in the text were reflective of Milton Friedman's own policy recommendations. General Pinochet became sympathetic to their ideas, and the Chicago Boys became his main economic policy advisors (Letelier 1976).

Friedman visited Pinochet in Chile during a period of critical education and economic reforms in 1975. His visit was inspired by his desire to see the economic progress initiated by the Chicago Boys (Letelier 1976). Pinochet asked Friedman to write a letter proposing economic remedies for Chile (Stephen, 2010). Friedman responded by writing an eight-point proposal. He recommended reducing government deficits by cutting spending, decentralizing social

programs such as social security and education, and decreasing inflation by limiting the amount of money printed (Brauchle). Friedman's letter mirrored the recommendations of the Chicago Boys in *El Ladrillo* (Stephens, 2010).

Friedman's connection to the Chicago Boys and his visit to Chile have been interpreted by some as an indicator that he was heavily influential in Chile's reform process. The Chilean school system is often referred to as Friedman's School Choice Theory (Hoover Institute 2013; Doherty 2006). For example, Anthony Lewis, a New York Times columnist, stated, "the Chilean junta's economic policy is based on the ideas of Milton Friedman…and his Chicago School" (Doherty 2006). Additionally, prominent school choice researchers Hsieh and Urquiola (2000) stated "Chile's government established a 'textbook' voucher scheme," and in a 2006 paper they said that they chose Chile as their main case study because it represented "a country that implemented an unrestricted nationwide school choice program" (Hsieh and Urquiola 2006, 1499).

Chilean researcher Claudio Sapelli is an exception. He argues that the most important lesson from the Chilean experience is the importance of properly designing a voucher system, (530). He explains further that by viewing Chile as an unrestricted Friedman school choice system, researchers have been prevented from understanding how the structural design of the Chilean system has determined the results in Chile (2003, 530).

I agree with Sapelli. Structure matters, and the Chilean system should not be assumed to be an application of Friedman's theory. Regardless of Friedman's influence in the Chilean reform process, the actual implementation of the education system is the factor that determines how closely the system follows Friedman's School Choice. The structure and

workings of the Chilean system need to be closely examined and compared to School Choice in order to state that the education system is truly an example of Friedman's School Choice Theory.

4. Friedman's School Choice Theory

The purpose of this section is to outline Milton Friedman's Theory of School Choice while creating a framework for a subsequent assessment of the Chilean education system. I will discuss what I consider to be the three most critical principles for a Friedman-style school choice system. The following matrix previews the categories that will be used for this assessment (see Textbox 1). Each of the principles listed will be discussed in its ideal state, as espoused by Friedman. In the next section, I will draw a comparison between the ideal state of these principles and their implementation in the Chilean case.

Text Box 1

Friedman-Style School Choice Principles

1. Deregulation
2. Competition
3. Parental Demand

Friedman first introduced his theory of school choice in 1955. Friedman's theory is a system, not a cafeteria from which principles can be chosen and implemented at will. School choice principles are interrelated and the proper implementation of one affects the outcome of others.

Friedman's model includes a voucher system that would function similarly to the GI Bill in the United States. Students would be issued vouchers to be redeemed at any accredited educational entity. Friedman's theory, however, is much more than just a voucher system (Friedman 1962, 89; Friedman and Friedman 1980, 161; Friedman 1955); it is a prescription to

deregulate and decentralize the education system, thereby enticing additional schools to enter the market.

As more schools enter the market, competition increases resulting in more educational options from which parents can choose. In an open market schools are vulnerable to consumer preference, and so parental demand for education plays a large role in the market. Ultimately Friedman theorized that by opening the market and allowing parents to choose, the overall quality of educational entities would increase as parents selected schools that met their quality preference (Friedman and Friedman 1980, 3; Butcher and Burke 2013, 3; Letelier 1976; Burke 2012).

Deregulation:

School Choice is based on supply-side economics. This economic perspective explains that decreasing regulations on firms, or in this case schools, can stimulate growth resulting in increased supply. According to Friedman, deregulation needs to happen in two ways. First, barriers to entry such as zoning restrictions and legal paperwork must be reduced so new schools are not deterred from entering the market (Betts 2005, 11-12). Second, the central government's role in education needs to be reduced to setting minimum quality standards (Friedman and Friedman and Friedman 1980, 169-170). The goal of decreasing regulations in a

Text Box 2

Deregulation:

- Reduce barriers to entry for schools
- Limit central government's role to setting minimum quality standards

Intended Result: More educational entities are enticed into the market allowing public and private schools to openly compete

school choice model is to entice more schools to enter the market creating increased competition.

A reduction in regulations incentivizes new schools to enter the market because of the flexibility and reduced oversight (The Laffer Center 2011). Entrepreneurs are able to tailor their schools according to the market to make a profit. Financial opportunity encourages more schools to enter the education market.

Regarding the central government's role, Friedman believed that it should be reduced to setting minimum quality standards (Friedman 1962, 89; Friedman 1955). In applying Friedman's theory, a government acts similarly to how it regulates restaurants. As it does when inspecting food services to ensure minimum sanitary standards, a government would review educational criteria to guarantee that minimum requirements are met (Friedman 1962, 89; Friedman 1955). Reducing the central government's influence allows local administrators to have nearly complete authority over public schools, and they are able to tailor their individual school's product offering in order to compete with other public and private schools for voucher funds.

Competition:

Under Friedman's system both public and private schools compete to remain in the market. Friedman stated that "we will only see improvements in education by privatizing a major segment of the educational system—i.e., by enabling a private, for-profit industry to develop that will provide a wide variety of learning opportunities and offer effective competition to public schools" (Burke 2012).

Competition is the crux to Friedman's school choice. Without competition the benefits of his model cannot be realized. As competition increases the education market moves toward perfect competition, the situation in a market when competition is at its greatest possible level. Under perfect competition the market price is at its lowest sustainable level, and consumer surplus or consumer satisfaction is at its highest, an ideal scenario for the consumer (Nicholson 1992, 427, 464; Betts 2005, 3-4). Although perfect competition is unattainable, as a market moves toward perfect competition, society is able to enjoy some of its benefits. School Choice Theory tries to harness the benefits of perfect competition by increasing competition such that failing schools are forced out of the market (Friedman and Friedman 1980, 160-163).

Text Box 3

Competition:

- Public and private schools encouraged to openly compete for student enrollment and associated funding through voucher system

Intended Result: Failing schools do not receive voucher payments and are forced out of the market

Although School Choice Theory can benefit from increased competition and consumer choice, there are elements of perfect competition that are difficult to achieve in the market for education, such as homogenous quality and perfect information. Friedman did not envision his theory implemented in a perfectly competitive market. Instead, he built a model that could access some of the benefits of perfect competition in the existing education market.

Ultimately as School Choice Theory increases market competition the education market profits from some elements that are also found in a market experiencing perfect competition. The number of schools increases, meaning more choices for parents. The market price for education decreases and education quality increases resulting in increased parental

satisfaction. Although the quality of education under School Choice Theory is not consistent at all levels, "the quality of all schooling would rise so much that even the worst, while it might be relatively lower on the scale, would be better in absolute quality" (Friedman and Friedman 1980, 170).

Parental Demand:

By deregulating the system and increasing competition, parental demand, rather than centralized mandates, determines the supply of schools, students, and teachers in the open education market (Friedman and Friedman 1980, 169-170). In order for a school to be successful, it must cater to society's preferences and listen to parental voice (Lopez et al. 2012, 49).

Text Box 4

Parental Demand:

- Education market reacts proportionally to parental demand, eliminating undesirable schools from market
- Increased parental voice in education

Intended Result: Societal satisfaction and overall education quality increases

In a school choice model, schools seek to maximize their profits by obtaining more vouchers. Simultaneously, parents shop for the school that brings them the greatest satisfaction. Only those schools that meet parental and student desires will remain in the market (Friedman and Friedman and Friedman 1980, 160-163). As the enrollment of a poor performing school drops, it is unable to maintain a profit and is subsequently forced out of the market (Nicholson 1992, 443, 464; Betts 2005, 4).

Furthermore, parental demands drive teachers' and administrators' incentives, which results in an increase to school quality and equity (Burke 2012; Joiko 2013, 1-2; McEwan et al. 2008,5; Lopez 2012, 57). Montecinos et al. explain this concept in the following way:

> From a demand perspective increased privatization purports to promote and affirm parents' rights and individual responsibility in choosing a school. Theoretically, giving

> the parents the right to choose will increase quality because they will choose a school that shows good academic results and schools will make an effort to retain the fidelity of the parents (2010, 489).

Under Friedman's School Choice Theory, parents have the freedom to choose a school based on quality and preferences (Lopez et al. 2012, 56; Friedman and Friedman 1980, 157). Geographical boundaries do not restrict students, and parents can choose to educate their child through public, private, charter, virtual or home school methods (Friedman 1955). Parental choice is considered "a rational choice driven by the market forces around education" (Joiko 2013, 1).

5. School Choice and Education Policy in Chile

In this section the fundamental principles of a Friedman-style school choice system will be compared to implementation of the Chilean school system. The key indicators for each principle, which are identified in the previous section, will be used to assess the level of Chile's implementation of Friedman's school choice. The following matrix previews the levels of implementation that will be used for this assessment (see Textbox 5).

Text Box 5

Levels of Implementation

Perfectly Implemented: follows Friedman's implementation and achieves expected outcome

Adequately Implemented: does not align perfectly with Friedman but achieves the expected outcome

Inadequately Implemented: measures partially implemented, results in dysfunction or failure to achieve expected outcomes

Failed Implementation: measures not successfully implemented and expected outcome not achieved

Deregulation:

As part of the 1980s education reforms in Chile, the Chilean government reduced barriers to entry in the education sector. Whereas Chile had previously limited education options to public schools and a select number of private schools, these reforms allowed a diverse group of additional private schools to enter the market. Chile experienced significant growth in these private schools, and in six years the number of private schools increased from 1,700 to 2,700 (Delannoy 2000, 11). This result aligns perfectly with Friedman's prediction that reduced barriers to entry will increase the number and diversity of schools in a marketplace.

Regarding jurisdiction, decentralization was only implemented at face value, and not in adequate alignment with Friedman. Local governments received a degree of autonomy, but always within the rules set by the central government (Serrano and Heidi 2002, 10). For example municipal mayors were centrally appointed; therefore, the central government continued to dictate decisions through the centrally appointed mayor rather than allowing autonomy for local municipalities (Delannoy 2000, 10-11).

Additionally, local governments remained weak relative to the central government. Contrary to Friedman, municipal governments were given increased responsibility with little capacity to exercise it due to their limited authority. For example many public school teachers were offered tenure by the central government. This action created managerial obstacles for the municipalities because they were unable to adjust the number of teachers according to enrollment levels and salaries following market demand (Delannoy 2000, 16). As a result many municipalities ran fiscal deficits, which were especially devastating to the quality of education in poorer regions. These local governments were unable to adequately fund public schools,

resulting in the failure of public schools to provide quality education. Consequently the overall benefits of decentralization were limited (Delannoy 2000, 10-11).

Friedman anticipated a period of adjustment as education is decentralized; however, part of his anticipated adjustment would be the elimination of failing schools (Friedman 1955). In the Chilean case, the central government protected public schools from defaulting due to competitive market forces. As explained in the following section, the central government provided many failing public schools with additional financial support above that of the newly introduced school voucher system (McEwan, 2008, 36).

Friedman-Style School Choice Principle	**Chilean Level of Implementation**
• Reduce barriers to entry for schools • Limit central government's role to setting minimum quality standards **Intended Result:** More educational entities are enticed into the market allowing public and private schools to openly compete	**Inadequately Implemented:** barriers to entry were reduced, but oversight of public schools was not fully decentralized. **Result:** Number of educational entities increased and private schools competed, but many public schools were financially devastated due to a lack of autonomy

Competition:

Chile saw a significant shift from public to private schools in the 1980s following the education reforms. From 1980 to 1985, private enrollment increased by 93 percent, and the public school system lost some 344,000 students (Delannoy 2000, 11). As a result public schools lost significant financial resources due to the decreased number of vouchers they received from enrolled students (Hsieh and Urquiola 2006, 1481). According to Friedman these under-performing public schools should have been eliminated from the market; however, despite the loss of traditional funding to public schools, the number of such institutions only decreased slightly. The Chilean government transferred funds to failing public schools to subsidize local public school deficits, thereby preventing the schools from closing (McEwan, 2008, 36).

The main rational for saving public schools was the countrywide financial crisis of 1982. During this time the Chilean government occasionally froze voucher funds to schools to transfer these funds to other portions of the economy (Serrano and Heidi, 2002). The lack of voucher funds had a devastating effect on public schools, because they were not permitted to charge tuition above the amount of the voucher like private schools (Hsieh and Urquiola 2006, 1480). Therefore public schools began to fail financially. As a result, the Chilean government felt compelled to save these public schools. This one time action is understandable, even under Friedman's theory. Public schools deserved the voucher funds they were previously unable to access; however, the subsidizing of public schools continued beyond the initial repayment of vouchers due. Consequently the incentive for public schools to compete was minimized because subpar schools were bailed out by the central government; therefore, these schools were not eliminated from the market (Hsieh and Urquiola 2006, 1482, 1498).

Private schools, on the other hand, were able to charge tuition above the amount of the voucher. Therefore they were not as drastically affected by the financial crisis as public schools. Following this rough financial period, private schools were not continually bailed out by the Chilean government like public schools, and consequently were required to compete for funding through the school voucher system. The difference in the competitive natures of public and private schools directly opposes the competitive foundation that Friedman had envisioned, where public and private schools must equally compete through the voucher system.

The Chilean government introduced another avenue of competition, besides the existing voucher system, into the market known as the System of Merit Awards to Schools (SNED). The SNED was a test administered every year beginning in 1996. SNED allowed schools

to compete for additional government funding based on test scores (Delannoy 2000, 22-23). Smaller private schools tended to do better than larger public schools on the assessments because, unlike public schools, they could reject students. As a result children were often screened using tests and interviews before matriculating into a private school (Lopez 2012, 62; Hsieh and Urquiola 2006, 1498; Bellei 2004).

Through SNED the government disadvantaged lower performing students and associated entities. The private school system in Chile became hyper-focused on the test performance of prospective students rather than on the funds available through the school voucher system. These schools sought to attract students who would produce high-test scores, thereby resulting in increased government funding for the school through SNED. In contrast, public schools were not allowed to reject poor-performing students, so public schools became further disincentivized to improve or compete through SNED (McEwan 2008, 30).

Friedman believed that through competition the quality of all schools in the market, both public and private, would increase (Friedman and Friedman 1980, 170). Competitive funding, like SNED, would be congruent with Friedman's theory if all educational entities were equal players. Unfortunately in the Chilean system the quality of public schools did not increase with the quality of private schools because of their inability to attract high performing students. Instead these schools remained complacent, relying upon government-subsidized payments to failing public schools rather than competing with private schools for increased student enrollment including subsequent school voucher payments and additional SNED funding (Lopez 2012, 62; Hsieh and Urquiola 2006, 1498; Bellei 2004). The lack of congruent competition

between all schools represents the largest divergence from Friedman's theory in the Chilean education system.

Friedman-Style School Choice Principle	Chilean Level of Implementation
Competition: • Public and private schools encouraged to openly compete for student enrollment and associated funding through voucher system **Intended Result:** Failing schools do not receive voucher payments and are forced out of the market increasing the overall quality of the school system.	**Inadequately Implemented:** Private schools competed amongst themselves, but public schools did not. Government financial backing disincentivized public schools to compete in the market. **Result:** Failing public schools were not eliminated from education market and remained a drag on the quality of the educational system.

Parental Demand:

The power of parental demand in the Chilean system was greatly diminished because public schools did not respond to the education preferences of parents. In an ideal school voucher system, funds would be directed toward the schools most preferred by parents, as was the case with Chilean private schools. Unfortunately this was not the case with public schools, because the education system in Chile was never truly decentralized. Public schools received necessary funding regardless of vouchers. Consequently the marketplace did not adequately react to parental demand regarding public schools, creating inefficiencies. Overall educational quality suffered as a result.

Friedman did not theorize that educational quality would be equal. He recognized that top and bottom schools would still exist, but he believed that the overall level of quality would increase as parents selected schools that met their quality preferences. As the poorest performing schools lose students and associated voucher payments, they are unable to maintain a profit and are eliminated from the market. The Chilean system saw the top schools

improve, as the lower schools remained stagnant. Because the central government provided funding to the worst performing public schools, these schools were never eliminated like poor performing private schools, nor were they incentivized to improve and capture voucher or SNED funds. In comparison, top performing private schools excelled in the Chilean system because they adjusted to parental demand in order to capture competitive funding.

Because the majority of bottom schools did not progress along with top schools, overall educational quality did not improve as Friedman theorized. Hsieh and Urquiola, prominent researchers of school choice, conducted a study that compared the test scores of Chilean students to international students in science and mathematics. They compared the scores in two years, 1970 and 1999. These dates are significant because they represent student performance both before and after the education reforms of the 1980s. Hsieh and Urquiola found that the median Chilean student did not improve relative to the median international student over this same time interval (Hsieh and Urquiola 2006, 1478-1479).

Parents were frustrated with the inability of Chile's education system to provide demanded quality. The voices of parents went unheard by public school administrators who did not have to adjust the quality of education in their schools in order to succeed. Furthermore school principals were often military personnel. The military is highly respected in Chile, and so parents and teachers were unwilling to challenge military administrators' competence (Delannoy 2000, 10-11). Consequently, communication was not facilitated and parental preferences went unheard within the public school system.

This disconnect between public administrators and parents existed despite the creation of Parent Centers in the 1980s education reforms. The chairmen of these centers were not

freely elected but were instead appointed by a national coordinator (Lopez et al. 2012, 52). Their position did not rely upon their ability to successfully implement the suggestions of local parents. These centers were meant to create an avenue for parents to express their preferences to school authorities; however, these Parent Centers did not allow parents a greater voice in their child's education. Instead they "accomplished merely [a] formal role, with no influence in the lives of the institutions" (De la Fuente and Raczynski 2010, 66). Again a lack of decentralization hindered parental demand in the market.

Friedman's model envisions a system that relies on parental demand to differentiate between successful and unsuccessful schools; however, the financial safeguards built into the Chilean system for failing public schools directly affected the education market's ability to efficiently operate. Consequently the lack of parental influence in the system has resulted in frustration due to lower than expected quality in the education system. As a result Chilean society has turned to other means, such as protesting, to voice preferences regarding education.

Friedman-Style School Choice Principle	**Chilean Level of Implementation**
Parental Demand: • Education market reacts proportionally to parental demand, eliminating undesirable schools from market • Increased parental voice in education **Intended Result:** Societal satisfaction and overall education quality increases	**Inadequate Implemented:** Subpar private schools were eliminated from the market, but poor-performing public schools were not. Public schools were not swayed by parental preferences due to government funding besides vouchers **Result:** Widespread dissatisfaction with education system and disparity in educational quality

6. Conclusion:

The Chilean education system should not be categorized as Friedman's School Choice Theory because it does not represent an adequate application of Friedman's theory. Most notably, deregulation of the education market was incomplete, and public schools have not competed because they received funding regardless of performance. Furthermore, parental demand has had little impact on the overall quality of education, as poor performing public schools have failed to improve with competitive private schools.

Textbox 6

Chilean Implementation

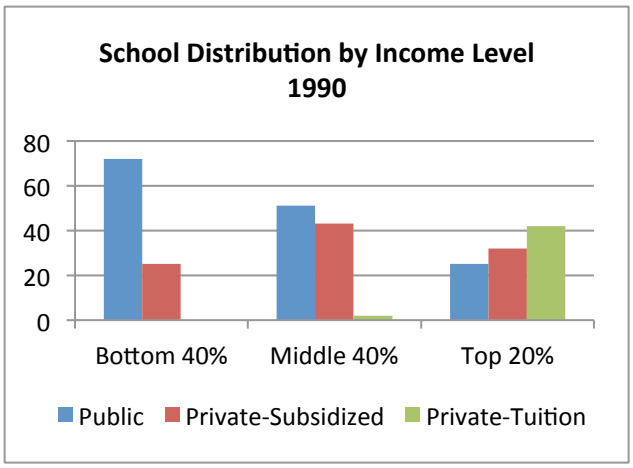
Deregulation = Inadequately Implemented
Competition = Inadequately Implemented
Parental Demand = Inadequately Implemented

Partial and uneven implementation of school choice principles in Chile's educational system has resulted in an educational class system, one vehemently rejected by the populace. Student leader, Camila Vallejo stated, "We don't want to improve the system, it has to be changed" (Al Jazeera 2011). The Chilean education system has essentially remained the same since the reforms of the 1980s (Hsieh and Urquiola 2006, 1480). The initial voucher system implemented in the early 1980s remains in force (McEwan et al. 2008, 3), and approximately 92 percent of primary and secondary students attend either a public or private school that receives some form of government assistance (Embassy of Chile, 2005).

As indicated by the graph, approximately 72 percent of children from families in the lowest 40 percent of the income distribution were attending public schools in 1990. For the next highest 40 percent, 51 percent of children attended public schools compared to 43 percent in subsidized public schools. Only 25 percent of children in the top 20 percent of income

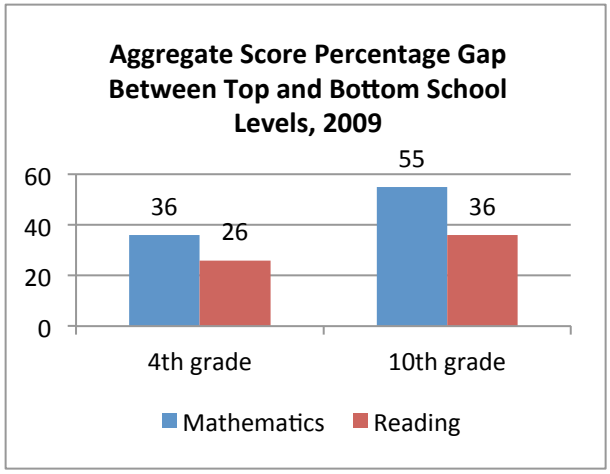
attended public schools compared to 32 percent in subsidized public schools and 43 percent in private tuition schools (Carnoy 1998, 317-318).

Today, the school distribution is essentially the same. Rich families send their children to high-quality private schools while children from poorer families attend badly managed public schools. The Organisation for Economic Co-operation and Development (OECD) has described the education in Chile as a "system of class segregation" (Guzman-Concha 2012, 412).



Source: (Carnoy 1998, 317-318)

The Chilean Education Ministry categorizes schools into five groups based upon the demographics of the students attending. As a basis for analysis, the following criteria are considered: parents' education, household income, and school characteristics. In 2009 gaps in the educational output for the top and bottom schools based on these factors were very pronounced. In reading the gap was 26 percent in the fourth grade and later grew to 36 percent by the tenth grade. The math score gap in the fourth grade was 36 percent and increased to 55 percent in the tenth grade (Fábrega 2009).



Source: (Fábrega 2009)

Commenting on the education gap, Vallejo stated in an interview with Al Jazeera, "When you see education reinforcing inequality, you think, no, we have to fight this" (McIntyre 2010, 26-27). Commenting further she said, "[This inequality] is lived daily and…is the result of this [economic] model and, more specifically, of those who maintain it; a small class of people that handle not only the economic power, but also political power and control of the media" (McIntyre 2010, 26-27).

What began as a cry for educational reform in Chile has become a battle against neoliberalist ideals. Chile is seen as a forerunner in Latin America for its free-market system instituted by Pinochet and his advisors, but Chile's impressive economic growth has not been distributed evenly. Chile has the highest per capita income of any country in South America, but it also regales the continent's greatest income gap between the rich and the poor. To Chileans, the education system has come to symbolize this economic injustice, and societal rejection is evident through the frequency of protests (Al Jazeera 2011; McIntyre 2010, 26-27; Aman 1991, 7).

Chileans are dissatisfied with the large gap in educational quality between private and public schools (Al Jazeera 2011). They seek a more equitable system that holds public schools accountable for deficiencies in curricula. Furthermore, protesters have been so disenfranchised with their school choice experience that they desire an entirely new education system, favoring increased government regulation in all aspects of education (Fábrega 2009; Guzman-Concha 2012, 412-413; McEwan 2008, 25).

Aside from decoupling the Chilean education system from Milton Friedman's School Choice Theory, the most important point this thesis illustrates is that school choice must be

assessed as a system. Individual principles cannot be regarded as useful or helpful on their own without the supporting, interrelated structure supplied by the other principles. The deregulation of the education system facilitates increased competition as additional schools enter the market. Through the voucher system, parental demand affects the distribution of students in the competitive marketplace. As parents choose quality schools through vouchers, low-performing schools cannot maintain a profit and are naturally eliminated from the market. As these schools exit the market, the overall educational quality increases and societal satisfaction is present. Without adequate implementation of each principle, the system as a whole is unable to succeed.

Unfortunately the impact of government interference in the education market has led to market inefficiencies. By saving failing public schools, the Chilean government aided public schools in their march to complacency. Public schools did not feel compelled to contend against private schools for vouchers or additional government funding because public schools received monetary support regardless of their performance. Consequently the quality of public schools did not improve at or near the rate that private schools improved.

The lack of competition in the market led to stratification and the stagnation of overall educational quality (Fábrega 2009). Public schools were not enticed to compete in the marketplace for voucher payments because the central government was providing funding to these schools regardless of performance. In contrast private schools did not receive government funding beyond initial voucher payments; therefore, they competed for student enrollment (and subsequent voucher payments) and test-based funding, known as SNED.

Private schools were profit-driven, and, in order to capture SNED funding, they sought to entice high performing students to enroll.

Parents became dissatisfied by the education options available for their children as public schools ignored parental demands for higher quality schools that addressed the needs of individual students. Exogenous incentives, such as SNED, control the market rather than parental demand (Delannoy 2000, 22-23). Additionally the creation of Parent Centers failed to provide the Chilean education system with an adequate avenue by which parents could express preferences.

Ultimately the lack of competition and the subsequent lack of benefits resulting from a competitive market is Chile's main divergence from Friedman. Consequently the intended results are not equivalent to those outlined by Friedman; rather, they are unique to the Chilean education system. Additionally a school choice system's merit is holistic in nature, and successful overall implementation requires the adequate inclusion of all interrelated principles. Fidelity to these principles is essential in order to critically analyze the outcomes of Friedman's School Choice Theory. Therefore, the Chilean education system should not be categorized or researched as Friedman's school choice; instead, it should be evaluated based on its own unique structure.

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