

# AUSTRALIAN COUNCIL FOR THE DEFENCE OF GOVERNMENT SCHOOLS

PRESS RELEASE 483#

## PROFITEERING FROM PUBLIC EDUCATION

### WHERE MONEY AND MARKETS DON'T BELONG

8 August 2012

**Our society is witnessing the intrusion of money and markets into parts of our life and social activities where they do not belong.** ( See *What Money Can't Buy: The Moral Limits of Markets* by Michael J. Sandel.)

**Public education is such an area.**

In a society where everything is for sale, life is much harder for the poor. And the effects of economic inequality of wealth has been, to date, mitigated by the fact that some goods are provided on the basis of the common good- a belief that has nothing to do with private money and the vagaries of monopolies and markets. It is an idea espoused by Adam Smith himself.

This is a debate we need to have before the era of market triumphalism and sectarian interests leave our society bereft of a public education system with its educational opportunities for all.

The rhetoric of the Australian federal opposition; the overt attacks on public education by the Victorian State coalition government; and the privatization of the TAFE sector is evidence of the New Right ideologues opening up our public sector to money, markets, and profiteering.

There is nothing original in this policy.

Cash-strapped Public school parents are heartily sick and tired of the illusion of 'choice' when presented with corporate advertisements on the fences of Victorian public schools. They are bemused by 'holier than thou' religious groups grabbing land, public money and enticing insecure parents into fee- paying, second rate secondary colleges while public school parents are deprived of local secondary schools.

They will recognize the intrusion of the 'market ideology' into an area where morally, it is totally repugnant. They will also recognize the dangers of 'market creep' in the following report about private corporations circling cash-strapped public schools in the United States:

**Private firms are already eyeing profits from U.S. public schools**

<http://in.reuters.com/article/2012/08/02/usa-education-investment-idINL2E8J15FR20120802>

NEW YORK | Thu Aug 2, 2012 7:46pm IST

**Aug 1 (Reuters) - The investors gathered in a tony private club in Manhattan were eager to hear about the next big thing, and education consultant Rob Lytle was happy to oblige.**

*Think about the upcoming rollout of new national academic standards for public schools, he urged the crowd. If they're as rigorous as advertised, a huge number of schools will suddenly look really bad, their students testing way behind in reading and math. They'll want help, quick. And private, for-profit vendors selling lesson plans, educational software and student assessments will be right there to provide it.*

*"You start to see entire ecosystems of investment opportunity lining up," said Lytle, a partner at The Parthenon Group, a Boston consulting firm. "It could get really, really big."*

*Indeed, investors of all stripes are beginning to sense big profit potential in public education.*

*The K-12 market is tantalizingly huge: The U.S. spends more than \$500 billion a year to educate kids from ages five through 18. The entire education sector, including college and mid-career training, represents nearly 9 percent of U.S. gross domestic product, more than the energy or technology sectors.*

*Traditionally, public education has been a tough market for private firms to break into -- fraught with politics, tangled in bureaucracy and fragmented into tens of thousands of individual schools and school districts from coast to coast.*

*Now investors are signaling optimism that a golden moment has arrived. They're pouring private equity and venture capital into scores of companies that aim to profit by taking over broad swaths of public education.*

*The conference last week at the University Club, billed as a how-to on "private equity investing in for-profit education companies," drew a full house of about 100.*

#### OUTSOURCING BASICS

*In the venture capital world, transactions in the K-12 education sector soared to a record \$389 million last year, up from \$13 million in 2005. That includes major investments from some of the most respected venture capitalists in Silicon Valley, according to GSV Advisors, an investment firm in Chicago that specializes in education.*

*The goal: an education revolution in which public schools outsource to private vendors such critical tasks as teaching math, educating disabled students, even writing report cards, said Michael Moe, the founder of GSV.*

*"It's time," Moe said. "Everybody's excited about it."*

*Not quite everyone.*

*The push to privatize has alarmed some parents and teachers, as well as union leaders who fear their members will lose their jobs or their autonomy in the classroom.*

*Many of these protesters have rallied behind education historian Diane Ravitch, a professor at New York University, who blogs and tweets a steady stream of alarms about corporate profiteers invading public schools.*

*Ravitch argues that schools have, in effect, been set up by a bipartisan education reform movement that places an enormous emphasis on standardized test scores, labels poor performers as "failing" schools and relentlessly pushes local districts to transform low-ranked schools by firing the staff and turning the building over to private management.*

*President Barack Obama and both Democratic and Republican policymakers in the states have embraced those principles. Local school districts from Memphis to Philadelphia to Dallas, meanwhile, have hired private consultants to advise them on improving education; the strategists*

*typically call for a broader role for private companies in public schools.*

*"This is a new frontier," Ravitch said. "The private equity guys and the hedge fund guys are circling public education."*

*Some of the products and services offered by private vendors may well be good for kids and schools, Ravitch said. But she has no confidence in their overall quality because "the bottom line is that they're seeking profit first."*

*Vendors looking for a toehold in public schools often donate generously to local politicians and spend big on marketing, so even companies with dismal academic results can rack up contracts and rake in tax dollars, Ravitch said.*

*"They're taking education, which ought to be in a different sphere where we're constantly concerned about raising quality, and they're applying a business metric: How do we cut costs?" Ravitch said.*

Public school advocates can learn from their counterparts in America. They need to confront the 'marketisation' of education which, in this country has been exacerbated by sectarian interests of major – and minor – religious groups.

Education is a good in itself, a basic freedom to both learn and survive for our children and our children's children. If it is part of a 'marketisation' process, it is degraded and corrupted by being bought and sold in markets or by being marketed in the wrong sort of way.

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