

Low-cost private schools as an alternative to state education

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Abstract. *This article presents the theoretical framework for private school education. Especially during economic difficulties as they are now in the Republic of Moldova, the question arises to what extent the state should and could guarantee the education of young generations. The author introduces the concept of low-cost private schools and gives recommendations as to how they could be applied in the post-Soviet area.*

Keywords: *education, Austrian School of Economics, market economy, low-cost schools.*

Introduction

The educational system of the Republic of Moldova faces multiple challenges. The economic and political crises impose the discussion about restructuring the educational offer through merging, closing and transforming of the teaching institutions [1]. The beneficiaries, employees and representatives of the educational system complain about the lack of coordination between the demands of the national labour market – on the one hand, and the content of the studies, on the other hand. As in the other areas of the society, corruption persists here as well [2]. The imposition of new rigours for the Baccalaureate examination has led to a considerably lower success rate, while

the presence of metal detectors and video cameras was fiercely disputed in the society [3]. Although in Moldova there is a significant number of private educational institutions, according to the data from the National Bureau of Statistics [4], 99.8% of pupils from the primary and secondary schools study in public institutions. It is only rarely that the privatisation of the sector is imposed. On the contrary, private schools and universities are often thought to be either elitist and financially inaccessible to common people, either of a lower quality than state ones. The phenomena of selling of diplomas and of a lower studying discipline are rather attributed to private institutions than to the state ones. In this article, we will introduce the concept of low-cost private schools as a viable alternative for a poor country, such as Moldova. After discussing the theoretical aspects regarding the advantages and disadvantages of private education, we will present the results of the research carried out in this field. We will then discuss their applicability to the Republic of Moldova, followed by suggestions on how to ameliorate the state of the educational system.

In the process of preparing the article, we consulted reports and documents of Moldovan officialities, of international as well as non-governmental organisations related to the educational domain. The E.G. West Centre of the University of Newcastle, United Kingdom, specialises in the study of private low-cost schools and offers many studies in the field.

We have analysed the problem through the view of the Austrian school of economics. The Austrian school of economics is a stream of various economic doctrines that are rooted in the works of classical economists. The origin of their ideas could be traced back to the Scholastics of the 15th and 16th centuries (especially the Salamanca School). The main exponents are Carl Menger (1840-1921), Eugen von Böhm-Bawerk, Friedrich Wieser, Ludwig von Mises, Friedrich Hayek (Nobel Prize in Economics, 1974), Murray N. Rothbard and Israel Kirzner. Famous contemporary scholars are Hans Hermann Hoppe, Guido Hülsmann, Walter Block, Thomas di Lorenzo, Thomas E.

Woods, Jeff Herbener, George Reisman and others.

While most contemporary economic doctrines consider that the economic laws are not absolute and should be subjected to empirical verification, which result could offer just an interval of statistical certainty, but never an absolute level of certitude, the Austrian economic school claims that economic laws, by contrast to historical events, can be deduced from a set of intuitively valid axioms.

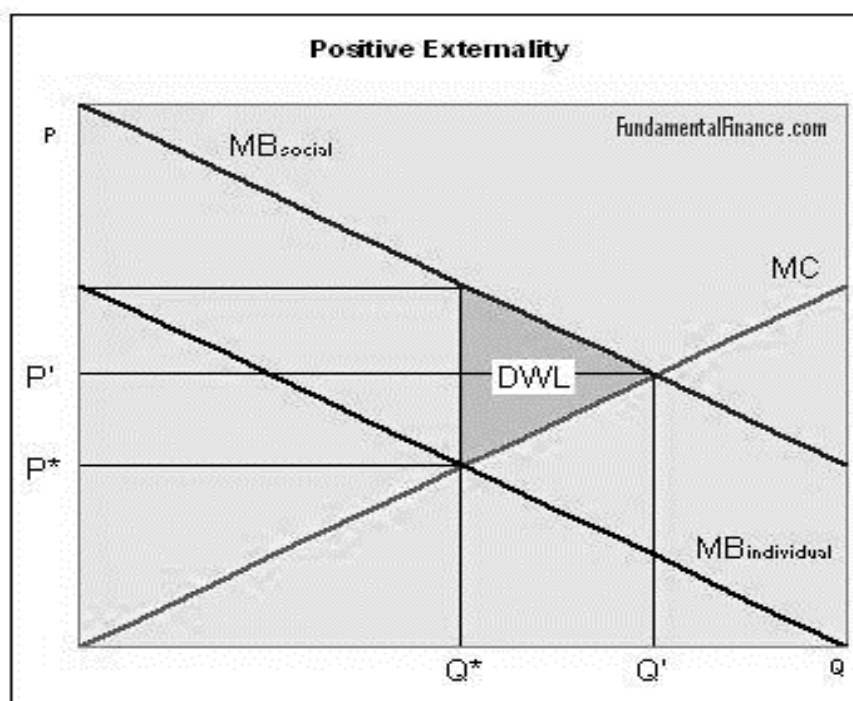
Results and discussion

The question of whether education and, specifically, school education should be

delivered by public or private sectors is enclosed within the general debate about the merits and drawbacks of the market economy. The adepts of the market economy claim that only in conditions of free competition between more producers and suppliers, the quality of the products and services will rise, while their price will go down. By contrast, the public sector as a monopolist will cause losses, misallocations and high prices for the very same products and services.

However, regarding the domain of school education, some economists invoke the phenomenon of “market failure” [5].

Figure 1. Positive externalities [6]



The argument states that when the production of a certain good/service is accompanied by positive externalities for which the producer cannot receive the full compensation, the producers will offer less than the society might demand (Figure 1). Thus, it is affirmed that not only does the educational system have an immediate contribution towards preparing the adolescent for getting into the job market, but also produces a set of indirect positive effects: correlational studies show inverse relationships between the duration of studies and the rate of criminality [7] or the

number of early pregnancies [8]. Other arguments in favour of the state offering free education, especially to children from lower social classes are centralised quality control of the education and the reduced cost. In this context, private schools are often deemed too expensive and offering services of lower quality, while without direct control from the Ministry of Education.

In the theoretical sense, deductive chains can be put forward, from the point of view of the Austrian school of economics, showing the

validity of the argument in favour of private sector/market economy. Yet, especially under the current scientific conjuncture of empiricism in the field of economics, empirical examples are required to add a necessary dimension to clarify the question. Such examples are offered by the researches on the phenomena of low-cost private schools in the developing countries.

In this regard, an academic epicentre, starting with the year 2002, is the E.G. West Center of the University of Newcastle in the United Kingdom, which works in the field of mapping the existing private low-cost schools, measuring and comparing their performance with respect to local public schools, and finally contributing to the development of the ecosystem in which low-cost private schools function (schools' deregulation, microfinancing private schools associations and their scholarship schemes), helping them to improve the quality of the education they offer, and also to configure their networks in India and Africa. [9]

In a meta-analysis of 59 studies, James Tooley and David Longfield arrived at the following conclusions:

- There is clear evidence that private schools can offer better teaching, better teaching results and that the poor are able to afford the involved educational costs and taxes.
- There is moderately positive evidence that private schools are geographically accessible to the poor and that they contribute towards an improvement in the education of young girls and offer educational services at a lower cost.
- There is moderately positive evidence that private schools are financially sustainable,

almost as accessible as state schools and that parents make informed decisions, based on the quality of education offered.

- There is weak positive evidence that private schools are more responsible and receptive regarding pupils' and parents' requirements [10].

Conclusions

The concept of low-cost private school is almost absent in the public and scientific debate in the Republic of Moldova. In a context where public education is traditionally predominant, a transition towards a vast liberalisation of school education seems precocious, especially because in the countries researched by the team of the E.G. West Center, this kind of schools have emerged spontaneously, in an unplanned way. Yet, the establishment of such schools in the Republic of Moldova might be useful particularly for people from lower economic layers. Opposing the current tendency of centralized education in Republic of Moldova, a decentralization and deregulation of the school system could allow the market forces to eliminate many current dilemmas linked to the educational system, such as the polemics around the language used in teaching, around sensitive subjects such as religion or sexual education, the discrepancy between the demand on the job market and the educational offer. We suppose that private schools could be more receptive towards parents' wishes and more flexible in adapting the programs of study to the demands of the job market. Ideally, parents opting for low-cost private schools could be exempted from general taxes to ease their financial effort of educating the children.

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