



PRIVATIZATION IN EDUCATION



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Abstract

In this thesis an answer will be given to the question what the effects are of privatization on the access to education and whether it is desirable that education is privatized – and if so, in what way. To determine an answer to this question this thesis will first present different arguments in favor and against privatization in general and then introduce four different forms of provision. Consequently, the earlier presented arguments will be applied to the four different ideal types of provision for the case of education. In the end this thesis will conclude that some form of privatization is desirable, as it generates a higher degree of efficiency and therefore reduces the cost of educational provision. However, since a purely privatized provision of education is subject to undesirable consequences - such as problems with equality of opportunity - this thesis states that a privatized supply side is the best form of educational provision, because it entails efficiency and equality of opportunity.

Introduction

My motivation for this thesis was triggered by a movie about an American student who was trying to get into Harvard University. He was very smart, worked very hard and had a great moral standard. However, he was not able to get into the school, because he and his family did not have enough money (Luketic, 2008). The outcome of the movie is not important, but the thing that kept me thinking was: Why is it possible that a lack of financial resources keeps a bright young mind from going to one of the best possible schools and more importantly, is there something that is wrong with that?

The question why a lack of financial resources can keep smart people from going to the best schools can be answered by the fact that these schools are allowed to charge a high amount of money for their services. In the US, private universities are more or less free to charge whatever they want, and because the demand for the top level private universities in the US is so high, the tuition fee that people are willing to pay to be enrolled there is enormous. Therefore, people with an income that is average, which is approximately 48.000 dollar per year¹, or below average are often not able to pay for those so called 'ivy league' schools, which cost approximately 50.000 dollar² per year. Moreover, even if people with a low income would receive a subsidy or an allowance from the state to partially cover the costs of going to a university, they still would not be able to pay for the best schools, because they are still too expensive. Only full scholarships would enable them to go there.

In the case of these private schools demand and supply are at least partially left up to the market. In other words: education is privatized. Non-governmental private enterprises are running these universities and they are free to charge whatever amount of money they deem fit. This prohibits a lot of students from attending these schools. For me it was interesting to investigate the arguments that are provided by the opponents and proponents of privatization in education, because it seems reasonable to think that it is undesirable to allow only rich people and a few very lucky and smart poor people to attend the best schools. This leaves a question to why people are still fond of this kind of educational provision. So what are the underlying reasons for designing the system in this way?

This personal interest has lead me to the subject of this thesis: privatization of education. I will discuss various arguments in favor and against privatization and apply those to the

¹ <https://www.ssa.gov/oact/cola/AWI.html>

² <http://blog.collegetuitioncompare.com/2015/05/ivy-league-2015-2016-estimated-tuition.html>

case of education. In the end I will answer the question what the effects are of privatization in education and whether it is desirable that education is privatized - and if so, in what form that should be done. It is broadly shared that education is something that should be available for everyone, because it is providing us with the opportunity to develop ourselves and pursue our goals in life³. Not being able to do so would be unjust and this makes education a concern for justice. For that reason it is important to think about how and by whom education should be provided, and also about the consequences of such a provision. This is what I intend to do in this thesis.

This question is very broad and the answer to it is quite extensive. Since I am limited in this thesis by both time and words, I have to make some kind of framework and make some background assumptions in order to be able to conform to the rules of the thesis. That is why I will discuss the background assumptions and flesh out the question that I am going to answer in the next part of this thesis.

Next, I will discuss the main arguments that supporters of privatization tend to use when they are defending a case of privatization. These arguments are mostly concerned with liberty and efficiency. After this, I will consider the main criticisms of privatization, which are mostly about inequality and the consequences thereof.

After having explained the background assumptions and the main arguments in favor and against privatization I will elaborate on what privatization is and discuss different forms of organizing the provision of goods and services. I will be using four different forms of provision from which I will choose the most desirable form, considering my research question. Furthermore, I will draw conclusions about each of the four options within the boundaries of this thesis. These different forms are: pure public provision, privatized supply side, privatized demand side and pure private provision. Although three of these ideal types are based on actual examples from educational systems all over the world, it should be mentioned that these four forms of privatization are ideal types and that actual forms of privatization are typically very hybrid and appear therefore as a mix of these forms, or are impure versions of these forms.

In the fifth part of this thesis, both the arguments in favor and against privatization will be applied to the four different forms of provision that I am using in this thesis for the case of education. In this way I can test the arguments for the different forms, because the implications for every single form are different from the others, not all forms are coping with the same kind of problems. This thesis will then discuss the implications for privatization of education for all four different forms of provision. Considering the fact that privatization has different implications for every kind of good, I will try to establish what the particular differences are for education. Furthermore, I will argue whether the consequences are desirable or not.

Lastly, I will come to the conclusion that education should be privatized because of efficiency reasons and that therefore a purely public provision is not an option, but that the provision of education should not be privatized completely, because of problems with equality of opportunity. Since privatized supply side combines both efficiency and fair equality of opportunity, I conclude that privatized supply side form of educational provision is the best ideal type to organize educational provision.

³ <http://www.unesco.org/new/en/right2education>

Background assumptions

This thesis starts from the principle that citizens or people of a state should enjoy freedom and equality. However, both of these concepts can affect one another. A very strict application of equality in a state can discount the freedom of its citizens and the other way around. Therefore, this paper will use a theory that solves the tensions between freedom and equality and provides for both of them in society.

The obvious choice for a theory that does this is the liberal egalitarian worldview of John Rawls and this will therefore be the starting point of this thesis. This theory is Rawls' *'Theory of Justice'*, in which he proposes *'justice as fairness'* which assumes that all 'citizens are free and equal and that society should be fair' (Wenar, 2013). It states that each person has an equal right to the most extensive selection of basic equal liberties and furthermore that social and financial inequalities are arranged in such a way that they are in everyone's advantage and attached to positions and offices open to all (Rawls, 1971). Rawls translates this into two *principles of justice*. The first is the basic equal liberties principle, which accounts for voting rights, freedom of speech and freedom of association for example. The second principle consists of two conditions, fair equality of opportunity and the difference principle. Fair equality of opportunity means that every citizen with the same amount of talents and willingness to use those talents should have the same opportunities regardless of the features of the situation that they were born in (Wenar, 2013). The difference principle accounts for a certain distribution of wealth and income: inequalities in wealth and income should work to the advantage of the people who are the worst off (Wenar, 2013). Rawls theory starts with the idea that people who are born with certain features like a rich family or white skin should not be favored by social institutions because of those features, which is what happens in the movie that was discussed in the introduction.

Instead of that Rawls states that society must be organized by executing the answer to the question: how do you want the principles of justice to look like when you are behind the *'veil of ignorance'*? Behind the veil of ignorance a person does not know his race, ethnicity, gender, age, income, wealth, natural endowments, comprehensive doctrine, etc. of any of the citizens in society, or to which generation in the history of the society these citizens belong. He does not know what the political system of the society is, its class structure, economic system, or level of economic development. What he does know is: that citizens in the society have different comprehensive doctrines and plans of life, that all citizens have interests in more primary goods, that the society is under conditions of moderate scarcity: there is enough to go around, but not enough for everyone to get what they want. Next to that, he knows general facts and common sense about human social life; general conclusions of science (including economics and psychology) that are uncontroversial (Wenar, 2013). This results eventually in the *original position* and answers the question: "What terms of cooperation would free and equal citizens agree to under fair conditions?". According to Rawls people who are behind the veil of ignorance will choose his *justice as fairness* that we just discussed, as the principles of justice. I will be committed in this thesis to the requirements of justice that Rawls provides and will judge the different forms of privatization also by using these principles.

In the case of education I will mainly look at the fair equality of opportunity principle. Therefore, I am making the assumption that it is necessary for a just society that a certain level of distributive equality is established when it comes to education and that the state should be committed to that. Another way of putting this is by saying that a certain level of educational justice should be upheld, which entails that a social background should not influence a child's prospects for educational attainment (Brighouse, 2003).

Furthermore, I am assuming that in order to achieve the benefits of the market there have to be norms that shape the market. The most important of those norms are property rights, free information, trust and an anti-monopoly mechanism (Satz, 2010, p. 26).

For markets to be efficient, property rights need to be in place. These rights give the assurance for buyers and sellers that contracts will be respected, because when contracts are broken or falsified the state will intervene and coerce both parties to fulfill the obligations that were set out in the contract. This is not only important in cases of criminal activities like theft and fraud, but also in the settlement of commercial disputes between two parties who do not agree on the outcome of their deal. On the other hand, certain property rights prevent people from using something as their own. For example: property rights over another human being are not allowed in our regime of property rights. Both variations, the one that gives authority over property and the one that denies authority over property, should be subject to the coercive powers of the state, because markets do not realize efficiency and freedom out of nothing. They presuppose a platform that makes the market thrive. Markets need these rules and regulations on property and cannot function optimally otherwise. A truly free market is thus not even an option (Satz, 2010, p. 27).

Another element without which markets cannot function optimally is the free flow of information. If buyers or sellers are not informed about a certain product they can never know exactly what a good is worth and they may over- or underpay for a certain good or sell it for the wrong price. The price of the good should represent the 'socially objective value', which is the perception of what the good is worth to the people that are involved in trade at a given time' (Rand, 1967). Therefore, for a market of a certain good to function well, information about that good and the price of that good has to be available for everyone. However, this free flow of information is not a guarantee that the market will function optimally. People may still interpret the available information wrongly or they may be overloaded by the amount of information that is presented to them and this will affect their judgement and with it the efficiency of the market. In order to stop this from happening there may be an intervention in the market by campaigns or marketing that provide people with more information or make people understand the available information better and let the market function more efficiently (Satz, 2010, pp. 27–28).

Furthermore, trust is an important factor for markets. The buyer and seller should be able to count on each other and honor their agreements. When they do not honor those the government will, as mentioned earlier, intervene. In the end property rights will always be honored, but for a market to work in a more efficient manner it is better when the buyer and seller are truthful to each other (Satz, 2010, p. 29). When either the buyer or the seller is untrustworthy markets may not function optimally, because it costs money and time to monitor the market and gather information about it. Both requirements may make the market less efficient and have a counteracting effect. A defender of the market would say that the trustworthiness of the seller will reflect the price of a good. The more trustworthy the seller is, the higher its price will be. However, one could respond that the extra money that a buyer has to pay for a certain amount of trust is inefficient, because the good could have been cheaper if everybody in the market was trustworthy.

Lastly, there must be competition between enterprises in the market. This will enforce them to charge the most reasonable price for a good, because when they charge a price that is too high the competition will be cheaper and customers will choose that product over theirs. Furthermore, it will also discipline them in delivering a certain quality standard, because if they deliver a poor quality product for the same price as the competition, the product that the competition offers will logically be chosen over theirs.

So if enterprises want to compete in the market they are forced to live up to both price and quality standards. However, both requirements are not necessary when there is only one player who has a monopoly. A situation where the monopolist is assured that people who want to buy that product will always have to buy his product. The monopolist is therefore not incentivized to either put a competitive price on his goods or deliver a certain quality standard.

In this thesis I will assume that these four norms that I have discussed are necessary for the market to function efficiently, but do not guarantee it. Furthermore I am assuming that when I write about the market in the discussion of the different forms of privatization, this market contains these features, unless it is explicitly stated otherwise.

Arguments in favor of privatization in general

It is difficult to comprehend exactly how markets function, not perfect markets, but actual markets which are always changing and never completely match the perfect market. Coordination of the (perfect) market is not done centrally, but based on individual decisions and because of that the market is very hybrid. Furthermore, the government does not intervene in the market and leaves the market alone, except when property rights are harmed. This is called the *laissez-faire* approach. As a result of this no participant in the market is forced to follow another, because they are free to decide whatever they want to pay or charge for a good and 'the market order arises out of these millions of independent individual decisions' (Satz, 2010, pp. 17–21). These millions of independent decisions represent the earlier mentioned 'socially objective value' and determine what a good is worth. This is different from a publicly organized provision of a certain service or good and compared to that, a privatized market may have two particular benefits: efficiency and liberty.

Firstly, efficiency. The individual decision to acquire a certain good for a certain price will function as a signal of what the good is worth to that individual. All these decisions will indicate to the seller how much he has to produce and to the buyer what he has to pay for the good. Consequently, by assuming that individuals will only trade with each other if they have something to gain, the market will stop producing or will produce a smaller number of those goods that are less or not desirable. Next to that, participants in the market will assume their most preferred position given their resources. This results in a constant fluctuation in prices according to the given supply and demand and will provide an incentive for producers to produce the right amount of products for a certain price. 'In a market's best case scenario, where information is flowing, there are no third-party effects of exchanges, no monopoly power, and the parties are completely trustworthy, the network of individual trade serves to generate improvements in getting people what they want' (Satz, 2010, p. 26). Furthermore, through the competitive pressures that multiple players in the market will generate, enterprises are forced to limit their waste and use their resources as efficient as possible. Otherwise other companies will be able to provide the good or service at lower costs and this is bad for the business of private enterprises.

In addition to this it is interesting to note that 'public enterprises around the world have proved to be highly inefficient' (Boycko, Schleifer, & Vishny, 1996, p. 309), because this is of importance for the research question of this thesis. They found that it can for example be the case that strategies are implemented to satisfy the political objectives of politicians who control these enterprises and are not aiming to maximize efficiency within the enterprise. The main example is that it is important for politicians to create or sustain a great amount of jobs in order to get votes, but that this can be highly inefficient. It

could be that it is more efficient to close down a certain factory, but that the workers of that factory have elected the politician that has to make the decision about that. This can result in a decision that is less focused on efficiency and more on a political future or keeping a campaign promise.

Managers who work at state-owned enterprises are often addressing objectives of politicians and these politicians are elected by voters who expect the politicians to focus on the policy that he promised his electorate. These promises will often interfere with the most efficient way of organizing the provision of a certain good or service. Therefore, it is believed that these enterprises can function more efficiently by a tight monetary policy and by owners that want to maximize profit, instead of the employees or managers that work in public enterprises, since they have to answer to their electorate.

What also plays a role in the efficiency of the privately organized enterprise is the fact that managers in a private enterprise will face more monitoring than managers within a publicly organized enterprise. This is because in a public enterprise poor performance does not lead to a take-over of the firm, the debt of a company does not play a role since it is part of the total public debt and there are no profit greedy shareholders which influence the company (Sheshinski & Lopez-Calva, 2003, p. 436). It provides the managers who work there with the certainty that no matter how bad the efficiency gets, the enterprise will endure and it does not push them to be as efficient as possible. In case of privatization this is the other way around, because there are greedy shareholders, the company's debt does matter and poor performance could lead to a takeover. Therefore, privatization could provide an incentive to the managers of those enterprises to work harder and better.

The second argument in favor of privatization is the freedom or liberty argument. Since the government is not interfering with the market in this scenario, it will provide its citizens with the freedom and autonomy to choose between the available alternatives without asking anyone permission, because decision making is decentralized. The only thing they may not do is harm the property rights of another (Sandel, 2012, p. 32). This entails that in a perfect market every person that engages in the market is free to choose the product or service that he or she desires. Furthermore, they can determine themselves what price they are willing to pay. As mentioned before, no participant in the market has to follow another. Citizens are free to choose whether they want to sell or buy something and it is up to the individual to decide which price he is willing to pay or receive. Because other companies are not prohibited to enter the market, a range of extra options arises for a consumer when it is not the state that is responsible for the provision.

The market also does not discriminate in any way, because it does not matter with whom you are making a deal, what matters is if someone is better off by trading with a certain party. This adds to freedom in the sense that the market is neutral when it comes to preferences of who is able to do business with whom. It does not matter who you are as a party, as long as you are willing to make a trade which is beneficial for the other party, you can trade with each other. It is the idea that, potentially, anything might be traded for anything and anyone might enter into the market (Satz, 2010, p. 23). This does however not mean that there can be no discrimination in the market, because players in the market are still able to refuse to work or trade with a certain group, but the market itself is in that sense neutral. In addition to that, in a perfect market nobody can be coerced in making a deal he or she does not want to make, which also enhances their freedom.

In response to the freedom argument it is said that property rights indeed enhance a certain amount of freedom, but that they also limit it. Property rights not only enable the

owner of a good to do whatever he wants to do with it, but they simultaneously exclude others from having authority over that good. The implication of this is that in order to enhance the freedom of the owner, the freedom of others has to be restricted. Rules, regulation, conventions and coercive power of the government are necessary in order to do so. Therefore, 'true laissez-faire is not even logically possible' (Satz, 2010, p. 27).

Arguments against privatization in general

In the previous part we saw that market mechanisms have particular benefits compared to a public provision of a service. However, private provision may also have some negative consequences. In this part I will address those consequences for privatization from a general perspective.

First, the inequality problem. By applying a market mechanism to the provision of certain services or products, the provision of these services will be susceptible to market pressures. Considering the fact that if all else is equal the demand for the best products or services will be the highest, the price for that particular good will usually go up if the state does not interfere. While this is a normal situation of supply and demand, it could be an undesirable situation for goods that everybody should be able to enjoy, because the availability for people to attain that good or service could be depending on economic status. In case of a price rise such a product or service will no longer be available for people with little money. In other words, it creates inequality between rich and poor people. If basic goods and services are subject to the same mechanism of privatization this results in a society where people with a low amount of money cannot enjoy the same basic services and goods that are needed to lead a good life, as people who are rich. Therefore, equality of opportunity is violated and as a result the availability of basic goods and services for everyone in society are now no longer a foregone conclusion. This is a problem because financial status is morally arbitrary and it should not be the deciding factor on whether someone can enjoy a certain good or service that is needed in order to lead a good life. According to Rawls, being born rich or poor, black or white, male or female is not something that someone deserves and this makes it morally arbitrary. Therefore, people may not be favored over others because of those features (Wenar, 2013). Inequality that arises from this does by definition harm the fair equality of opportunity principle. Since I am assuming that a violation of the fair equality of opportunity standard is wrong, this is a very undesirable situation.

This does however not mean that all inequality is bad and that all inequality harms the principle of fair equality of opportunity. Willingness to work or natural talent are factors that are unequally divided in societies, but they do not harm the fair equality of opportunity principle. This is true because 'in all parts of society there are to be roughly the same prospects of culture and achievement for those similarly motivated and endowed' (Kelly, 2001, p. 44). Natural talent and willingness to work are thus roughly evenly distributed between all children that are born in all different classes in society and therefore the inequality that grows from one of these features does not harm the fair equality of opportunity principle.

Furthermore, market competition has a tendency to create winners and losers in the market. Players that are engaged in the market all want to be the best and the most efficient since they are competing for the same customers, but only a few will be able to succeed in this. This can be the result of good choices that came about through rational decision making, which is called option luck, or it can be because of luck that is completely out of people's hands, which is called brute luck. The idea of equality of opportunity is that a system of distribution is just if inequalities are the result of

individual choice and option luck (Wright, 2010, p. 52). If someone gets sick by pure coincidence and can therefore not work anymore, this is brute bad luck and he has to be compensated for this, but if this does not happen inequality will arise. Furthermore, the effect of losing tends to be cumulative within individual lives and has an impact on the next generation if there are no redistributive mechanisms in place. Consider that the person who got sick that was just mentioned, did not get a compensation and was not able to work anymore. He would now not be able anymore to send his kids to school or the university and they have to work to take care of the family. These kids are now the victim of the brute bad luck their father had and are because of it not able to go to school and develop themselves. This violates the fair equality of opportunity principle and if the redistributive mechanisms are absent and not compensate people for brute bad luck it eventually leads to an even larger financial inequality within society (Wright, 2010, p. 47).

Another thing to note is that people who value a certain service most tend to spend the largest amount of their money on it. Whereas people who value that service less, will probably spend significantly less. In a scenario of a privatized provision of for example health care, the most preferred kinds of healthcare will be the most expensive. People who value healthcare most will spend the largest amount of their money on it. This creates inequality of the level of healthcare between people who do value the service and those who do not. In the case of bread for example, this matters less, because the kind of bread one buys will contribute much less to the quality of life. However, in the scenario of healthcare it does matter. It is undesirable that from two people who suffer from the same disease and want the same medical treatment, only one is able to receive his preferred medical treatment, because the other bought a cheaper insurance that did not cover that particular treatment. Opponents of this view could say that the person who bought the cheaper insurance made a rational choice and that this is a case of option luck and that if he valued health care so much he should have spent more money on it. Proponents could react that getting sick is still a form of brute luck and the choice for the cheaper insurance could have had completely other reasons than pure preference, like financial trouble. This example shows that privatization of certain goods and services like healthcare can have undesirable implications, because there can be forms of brute luck, which cannot be foreseen and gravely impact people's ability to live a good life.

Furthermore, the problem of inequality of opportunity that arises from privatization does not only prevent people in their pursuit of a good life, it also may have inefficient side-effects. When there is inequality in society and poor people do not enjoy the same opportunities as richer people do, it may have three inefficient implications. First, high levels of inequality in combination with marginalization at the bottom is problematic and makes people feel unfairly disadvantaged. The poorest part of society may get frustrated with the differences in opportunities and this may create social conflict and disorder in society (Wright, 2010, p. 65). This feeling of unfairness may eventually create an unstable society with protests and riots against the sources of this inequality problem. The state will be required to calm these riots down and provide stability and all costs that come with these interventions are the costs of that inequality, which is one of the inefficient side-effects.

The second way in which inequality of opportunity is inefficient is because it leads to a situation where a part of society, the poor part, may be prohibited to develop itself to a maximum extent and that is inefficient use of human resources. This is the case because a high level of inequality inherently entails that the poorer segments of society will not have the material means to develop their talents and potentials. Since we assume that talents and the will to achieve are more or less equally divided over the different segments in society, this inequality will eventually lead to a waste of human talents and

human resources (Wright, 2010, p. 65). When for example the 20% poorest people in society are not able to go to the best schools, because they do not have the means to do so, the waste of the potential of all those people who are capable of going to the best schools is great. This is not only morally wrong, it is also inefficient to not use all the potential of people in society who want to develop themselves, because those people could contribute more than they are doing now.

The last form of inefficiency that arises from inequality has to do with solidarity in society. Since privatization of certain goods or services leads to a split in society between the financially privileged and unprivileged, both groups will integrate with each other less and less. Privileged people will live in privileged neighborhoods, go to privileged schools and interact with privileged people. Whereas the unprivileged will generally only attend unprivileged schools, live in poor neighborhoods and only interact with other unprivileged people. In this way social solidarity is harmed and for a market to function efficiently solidarity is needed, because it is an important source of social cooperation (Wright, 2010, p. 65). A defender of the market will definitely state that players in the market will and should only pursue their own self-interest and this will make the market the most efficient. However, if there is no solidarity, trust between different parties will be negatively affected and therefore information about trade has to be obtained and monitoring of trade has to be done. This costs time and money and will in this way harm the efficiency of the market. Therefore, "homo economicus may be out only for himself but he must not generally steal, lie, cheat or murder in order to maximize his gains if markets are to work" (Satz, 2010, p. 29).

Next to that, the solidarity and integration between rich and poor is also crucial for a well-functioning democratic society. If there is less integration between different segments of society, the more advantaged people will be less aware of the problems that are faced by the less advantaged and will therefore use their power as decision makers less with regard to the less advantaged in society (Swift, 2003). This will make it very difficult to establish a democratic state which can truly represent all classes in society and since a democracy should entail that people collectively decide about their collective fate (Wright, 2010, p. 82), democracy will not function well in this case. Furthermore, democracies can be negatively affected by a greater amount of inequality, which is the consequence of privatization. Compared to poor people, rich people can buy influence in the media, they can contribute to political campaigns and are able to pay lobbyists that fight for their interests (Wright, 2010, p. 84). There is also evidence that states that when the rich and poor differ on a certain issue, there is absolutely no relationship between the preference of the poor and actual policy about this issue (Gilens, 2014, p. 81). So when poor and rich people have different opinions about a certain state issue, poor people seem never to be able to influence actual policy. This contributes to the conclusion that the vote of a rich person seems to be more influential than the vote of a poor person and this is undesirable, because the principle of democratic equality and with it equality of opportunity is harmed by this.

The second larger argument against privatization has to do with the fact that a good that is provided publicly is not provided in order to make a profit. It is a good that serves a purpose that the state deems useful enough to provide the good, the good may not be provided per se because there is a large market for it. However, when a good is privatized in any way the objective of the provision of that good can change and this can have negative implications. The state does not have to worry about shareholders or profit goals when providing a good or service to the public. A company on the other hand, does not have this luxury and will be more determined to be cost effective and to do its work in the most efficient way, because otherwise it will go bankrupt. This can of course be seen as a benefit of a privatized provision as mentioned before. However, when cost

effectiveness becomes more important than the quality of a product, it could be that society suffers from it. Companies will always try, within the boundaries of the rules, to be as cost effective as they can be and there is no harm in that. However, if the rules or regulations allow a company to cut extra costs that come with the good or service, the quality of the provided good or service may suffer in order to be more cost efficient. If for example train transportation is privatized and the regulations do not require trains to have a trash can, they could make the decision to not incorporate those in the trains because it will cost the company extra money. As a result of this, people may encounter dirtier trains with garbage lying around everywhere, because the trash cans have been removed. The more cost effective way is in this case - within the boundary of the regulations - still affecting the quality of train transportation for the worse. Extra state regulation could be a solution to this problem. More rules about the requirements on train transportation could prevent train transportation companies from removing garbage bins. However, it is difficult to regulate everything about train transportation and it will cost the state money which reduces the efficiency gains from privatization. Moreover, stricter regulation will take away some of the freedom of the private enterprise to provide the good or service in the way that they prefer, because they have to conform to more state rules.

Next to that, some services should just be provided publicly, because it would lead to undesirable consequences when they would be privatized. The services could be compromised when the services would either be provided or financed by some private entity and should therefore always be organized independently from other interests. In case of a privatized demand side for the police force, this would radically change the character of the police force. The police force is supposed to ensure the safety of all citizens and when the demand side is not controlled by the state this can change. People with less money are not able to buy as much protection as people with a lot of money, or they would at least make different choices based on their financial situation. This is undesirable, because the police force should be equally available for every citizen irrespective of financial or social status. If this is not the case and people with a great amount of money can buy more services from the police over people who do not have that kind of money, it creates an unfair situation. A situation where rich people get protected all the time and poor people do not enjoy protection. Next to that, it is also not appropriate for this kind of public services to leave the supply side up to the market. Suppose the administration of justice would have some kind of profit target within its organization. This would lead to very undesirable consequences where the objectivity of the organization is challenged. The administration of justice is supposed to judge everyone according to the law, and it is their target to do this to the best of their abilities. However, in case of a profit target within the administration of justice, lawyers might be vulnerable to monetary pressure. It could be that judging someone unlawfully the law is much more profitable than doing it the usual way. In this case people with a lot of money could be able to make their own laws. This undermines the democratic rule of law and is therefore undesirable.

Different forms of privatization

After the Second World War a number of Western countries tried to build up a system in which the state took care of the provision of certain services like education, health care and security for all people in society: the so called 'Welfare State' (Claassen, 2011). However, in the past 30 years there has been a shift towards another approach of providing these (public) services. Strategies of liberalization were implemented by various countries and for various reasons (Claassen, 2011).

In the last 20 to 30 years there has been a shift in the responsibilities of the state towards public services like health care and education (Claassen, 2011). While the state remains responsible for financing the service, most of the provision of these services is done by the market. The main thought behind this way of organizing things is “while (public) ends stay the same, (private) means are more efficient (Claassen, 2015). In other words, the state remains responsible, while it uses the markets or quasi markets to provide the service in a more efficient manner.

The state has, when it comes to public services, two responsibilities: production and finance (Claassen, 2015). It has also been argued that there are three central functions for the state when it comes to public services: funding, regulating and providing (Brighouse, 2003). However, I will consider regulative tasks in hands of the state a certainty in this thesis, because every market is based on certain regulation or norms. As mentioned in the background assumptions: markets cannot even function without regulations. The state has to regulate the market in order for it to work, therefore, I choose only to look at the production and the financing of services in this thesis and leave the regulative tasks in the hands of the state.

The fact that the state has two responsibilities does not mean that the state must also execute them. This would mean that the provision of the service is completely publicly done. However, the state is free to look for alternatives in the private sector and it is possible for the state to look at what the other options are for the provision of a certain service. The state could for example decide to only finance the service and leave the production to private enterprises in the market. It is also possible to produce the service by itself, but let the financing of the service come from the private side. The last option is to completely stop financing and providing a certain service. This is the purely private alternative and will entail that the service will now be both provided and financed privately. It must be noted that there is many variation both within the various distinguished ideal types, but also many hybrid forms. For reasons of conceptual clarity, I limit myself to these four forms (table 1) and disregard such complications, because that would make things too complicated and lengthy. These four different forms are ideal types and there are many different variations and mixes of these, but the core features of every individual ideal type are the same. These forms are derived from examples in the real world and I will discuss these examples shortly when discussing the ideal type that was derived from it. Furthermore, it must be mentioned that the ideal types were originally based on the three modes of social service delivery by Daniels and Trebilcock (Daniels & Trebilcock, 2005), but that they are adapted and changed for the purpose of this thesis.

As I mentioned before, the provision of services has two aspects: production and finance. The services have to be produced by someone or something and this someone or something must be compensated for the production of that service. In this thesis the production aspect in the provision of education will count as the entire supply side of the model. This means that when education is produced by a private company, the supply side of education is privately organized. The financing aspect of provision will be named the demand side in this thesis. Therefore, if the demand side in one of the ideal types is privatized it means that the financing of a service will be done privately. Again, the four different forms of provision that I will present are ideal types and it could therefore be that some part of the private supply side could still be accounted for by the public sector. However, for the purpose of this thesis I will consider them to be entirely private.

The first form of organizing public services is the form that leaves both the supply and the demand of the public service up to the state. This form is called *pure public provision* and is used for services that are provided entirely by the state. Examples are the police

force and the administration of justice for which it might be problematic if some form of privatization was used in the production or financing of the service, but also the care for permanently handicapped people for example for which it might be possible to introduce mechanisms of privatization in the production or finance, but where this has not yet been done. In the case of the police force the state determines how much demand there is for policemen and will also 'supply' these policemen, employing a few extra if needed and financially possible. An educational example of purely public provision in education is the English state education system. For every person from five to nineteen years old this state education is freely available and provided for by the state. Furthermore, all state schools follow the same national curriculum that indicates what students have to learn at a certain level⁴. In this particular situation there is no private party involved in either the supply or the demand side, which makes it purely public provision of education.

The second form is called *privatized supply side*. This is a form where a market mechanism is introduced in the production of public services, although only on the supply side. The provision of the service is done by one or more private enterprises that are either contracted or licensed by the state to carry out the task. In theory this may have more efficient outcomes because the company that provides the same service for the lowest price will be favored over others that offer the same but are more expensive. Therefore, providers will try to be as efficient possible to cut costs. The service is thus organized through a marketed supply side while the state still accounts for the demand side. Examples of this form are infrastructural projects. In the Netherlands, companies are hired by the state to build or do maintenance on roads, while the state still controls the demand side of the infrastructure. This is thus a contracting out example, in which companies get paid by the state for their services. In the situation of education one could think of a situation where the state licenses private parties to supply education and pays them for it. The state furthermore accounts for the demand and distributes education to its citizens by looking at the place where they live, willingness to learn or ability for example. I have not been able to find a real life example, but one could imagine the situation where citizens are receiving their education for free, while it is completely privately supplied.

A *privatized demand side* is another form of organizing public services. In this case the demand side will be left up to the market and the supply side is still controlled by the state. The competitive pressures are now introduced through the demand side. As a consequence of this citizens can now decide themselves whether or not they want to acquire the service and they can directly bargain with the providers of the service and therefore achieve the best price for the required service. Next to that, the providers will now have an incentive to meet the demands of the customers. Privatizing the demand side can be done by subsidies, but does not have to be. An example of a system in which the state does provide a subsidy is the health care insurance system in the Netherlands. The state provides health care allowances for every individual and the citizens can choose their own health care insurance. An example without subsidies is train transportation. In the Netherlands every person- except for little children, students and elderly- who wants to travel by train is supposed to buy a ticket, while they are not directly compensated for this by the state. In addition to that the state still controls the trains and the railroads, or is at least the only shareholder of them, and thus accounts for the supply side. For the case of a privatized demand side in education an example is a voucher system as used in the US. In this scenario parents get a voucher from the state to receive an education at

⁴ <http://verenigdkoninkrijk.nlambassade.org/u-en-het-vk/onderwijs>

any school they want⁵. In this case the supply side could be private while the state funding takes care of the demand side.

Lastly, a state can choose to let go of all the connections it has with providing a service and let the service no longer be public, but completely private. The provision of food for example is completely left up to the market. The producers are private enterprises and the demand side is also completely private since the state does not intervene when you are buying bread and does not subsidize it (directly). It may only regulate the supply process if necessary with for example quality requirements. However, both the financing and the production are privatized in this case. A concrete example of this in the field of education are the so called 'independent schools' in the UK⁶. These are schools for which parents, contrary to the state schools, have to pay a fee to let their child enjoy an education there. These schools are run by a privately elected board and they do not have to comply with all the regulations and conditions that state schools have to.

The question then is whether education is a different kind of good compared to bread. For a state it is not important to provide the people with bread and therefore the provision of bread can be left completely to the market, just as long as people have enough to eat and the bread is of a certain standard. Can this however, be the case for education as well, or is there something fundamentally different between those goods? That is a question that I would like to answer.

		Supply	
		Public	Private
Demand	Public	Pure Public Provision	Privatized Supply Side
	Private	Privatized Demand Side	Pure Private Provision

Table 1: Forms of organizing public services

Application on education

In this part of the thesis I will apply the different arguments in favor and against privatization that were given in the previous parts, to the particular case of education. The arguments in favor of privatization were roughly that privatization will lead to efficiency and liberty. The arguments against privatization were mostly about inequality, inefficiency and democratic solidarity. I will address the arguments considering the four ideal forms of privatization that I have presented earlier in this thesis.

⁵ <http://www.ncsl.org/research/education/school-choice-vouchers.aspx>

⁶ [https://en.wikipedia.org/wiki/Independent_school_\(United_Kingdom\)](https://en.wikipedia.org/wiki/Independent_school_(United_Kingdom))

Purely private provision

In theory complete privatization of education would lead to a higher efficiency. The state would in this case let go of both the supply and the demand side of education and would only require a standard for education. Private enterprises now account for the supply of education. Since there is free entrance into the market the various players in the market have to compete with each other in order to get consumers to choose for them. This will lead to a higher efficiency, because these firms will try to produce their service at the lowest possible costs and this forces them to work as efficiently as possible. Next to that, private enterprises are forced to at least break even and therefore managers and employees of private enterprises in education will be more incentivized to generate profits and work as efficiently as possible. Moreover, the fact that managers in a private enterprise will be monitored more strictly will also be an extra impulse for a more efficient way of working in those companies. Therefore, a purely private provision of education will compared to the other forms of provision lead to the highest degree of efficiency within the boundaries that the state demands.

However, the fact that purely private provision achieves the highest degree of efficiency compared to the other ideal types is not a guarantee that efficiency is not limited in any way. For example the efficiency of educational private enterprises may still suffer from political opportunism. Because of the fact that the state will remain in charge of the rules and regulations concerning education, these laws and regulations will be subject to change after for example elections or a revision of the political course of the state. Politicians will always impose standards on education that they deem important and this has an effect on the degree of efficiency. The *political perspective* argues that politicians and people who work for them will look to maximize employment and political prestige, which comes at the cost of efficiency (Sheshinski & Lopez-Calva, 2003, p. 434). This is not only true for the case of purely private provision in particular. It is true for all forms of provision, but it has to be mentioned since purely private provision could be misinterpreted. A purely privatized form, although completely privatized, is still susceptible to changes in the political course of a country. A change in the political course will often mean for a company that they will have to change the way in which they operate which costs time and money and this affects the amount of efficiency that is won by privatizing the provision of a service.

Next to that, efficiency could suffer from the fact that there is a problem on the demand side that affects the degree of freedom for consumers and therefore affects the well-functioning of the market. Consumers are free to choose any kind of education they like, but the only thing they cannot do is not choose any education at all, because of compulsory education. This means that also at the demand side the market is not totally free and this will affect efficiency.

Although freedom is thus limited to a certain extent, the case of purely private provision does accomplish the highest degree of it. Apart from the regulations imposed by the state on education, both the buyer and the seller are free to trade with whomever they want and in whatever way they want as long as they conform to the standards that the government has set. Next to that, suppliers of education can, within the boundaries of the regulations, offer any kind of education they like. This can create many different forms of education and therefore a purely private provision of education will not only create a more efficient supply, it will also diversify the educational market. There can for example be differences in price, differences in academic level and differences in the way people are educated. As a result of this, citizens who are looking for an education can now choose from a very wide range of options and therefore have more freedom of choice concerning their own education.

However, one could argue that freedom is quite largely limited by the fact that the state is not only the one who is imposing regulations, but also the controller of those regulations and the one who eventually has to take responsibility if there are wrongs in the educational system. Consider for example the situation that - except for the normal regulations and standards for education - the market is left free for a little while. At a certain moment an educational institution does something within the boundaries of the rules that results in some kind of wrongdoing and the controller (the state) notices this. As a consequence, the responsible party (the state) urges the regulative party (the state) to adjust the rules so that this cannot happen anymore and encourages the controller (the state) to keep a close eye to this. Eventually, this results in an educational market with more and more supervision from the state, which therefore has to conform totally to its standard. This affects the freedom of both the suppliers and the consumers of education. Suppliers are bound to stricter regulations which limit them in their freedom to provide education in the way they want to and this limits diversity. Next to that, it opens up the possibility of 'regulatory capture' where (lobbyists of) large suppliers seek to influence regulative activity of the state. Consumers on the other hand are limited in their choice of education since the educational landscape might be less diverse, because the more rules and regulations schools have to conform to, the more they are limited in offering education in their own way. The education that will be offered to the people will be more and more the same. The educational market is particularly vulnerable for (over)regulation since education is such a delicate good. Education will partially shape our behavior, beliefs and desires. It is thus of great importance to the state how our society is educated and it will therefore always keep a very close eye on the manner in which education is provided. The market in things like bread will be less susceptible to these pressures since the provision of very different kinds of bread will not have such a significant impact on society.

In the scenario in which the supply side and the demand side are both privatized, the equality of opportunity principle is very likely to be violated. Assuming that the suppliers of education have the freedom to offer any kind of education for any price, it can occur that the best teachers will be centralized in a few very exclusive schools. Since these schools will be the most popular, because of their great teachers, and since education is subject to market pressures, the price of these exclusive schools will increase dramatically. As a result these schools will be unaffordable for a very large segment of the population. Therefore, two people who are both smart, both work hard and both have a formidable character cannot go to this same school if one of them cannot afford it. This could deprive this person of the means to pursue his goals in life. The fact that the lack of monetary means leads to this consequence violates the requirement of fair equality of opportunity. Therefore, this situation is wrong and unjust and such an educational system is therefore morally impermissible. If we consider Rawls's remarks about equality of opportunity, the financial situation of a person should not be a factor in deciding whether someone can go to a certain school, because being born into a rich family is not something that a person deserves and therefore this personal feature is morally arbitrary (Wenar, 2013). Since the feature is morally arbitrary it should not entitle someone who is in the possession of this feature to be favored over someone who is not. In this case however, it is exactly the financial situation that allows one person to go and disallows the other. In this scenario the private schools are free to select their students like this and are incentivized to do so, because they will generate more money which enables them to invest more in their enterprise which will make them even better. And because they become a better school they can charge even more money, which will make the school even more exclusive. As a result even less people can afford the best school and this will enhance inequality in opportunity in society, all because there was inequality in wealth to begin with. The situation could be different if the inequality came about

because of talent or willingness to achieve something, because those factors are more or less evenly divided over all segments in society and therefore do not harm the fair equality of opportunity principle (Kelly, 2001, p. 44). Therefore, a liberal egalitarian state, should interfere when money causes inequality of opportunity, but does not have to when it is caused by talent or willingness.

Furthermore, parents play an important role in deciding where their child is going to school, because children who have parents that value education a lot will probably go to a better school (Swift, 2003). Those parents are willing to spend a lot more of their resources on their child's schooling than parents who think school is not that important. In this situation children who have parents who do not value education that much will have a significantly lower chance of going to the best possible school. The educational motivation of a parent is naturally not the fault of the way in which the educational system is organized. However, the fact that there is a difference in price between the best education and the worst education will create an undesirable incentive for the parent to choose for the worst education instead of the best. When both the best and the worst education would cost the same, the school choice of a parent is anyway not determined by a monetary incentive.

If school choice for example would be based on other considerations, like level of education or social environment, it would not be a problem. If level of education would create some kind of inequality it would not matter, because it does not harm the fair equality of opportunity principle. A choice based on social environment is a rational consideration from which the consequences are a form of option luck, and inequality that arises from those choices is not unjust.

Another argument that has been made against privatizing education is the argument of inefficiency. As mentioned before, through the market mechanisms there will probably be a difference in price between the best and most popular schools next to the less popular schools. This does not only result in inequality within society, but it is also inefficient. In this scenario a large group of people will be excluded from going to the best possible schools. In this large group of people there will be people who have the potential to work at the highest academic level and this potential is by means of this educational system now lost. This is very inefficient, because talent is more or less equally distributed over all segments of society and if there are segments in society that are not able to develop that talent because they cannot afford the schooling a great amount of talent is lost and that is inefficient use of human resources.

Lastly, considering that solidarity is affected by inequality in society, a purely private provision of education will have a negative influence on solidarity in society since it accounts for the largest degree of inequality. Furthermore, society will end up in some kind of vicious circle when it comes to inequality and therefore solidarity. Less and less people will be able to attend the better schools and as result of this less and less people will have the chance to develop their maximum potential. Only the richest segment in society can go to the best possible school and grow to their full potential. Therefore, these people will have the best chance of filling the most influential positions in society. Furthermore, the richest segment will have less and less interaction with the poorer segments during their education and will be as a result less familiar with their problems. Considering Swifts argument, people in the richest segment in society will have less regard for the issues of the poor when they are eventually in an influential position (Swift, 2003). Consequently, evidence suggests that the state policies reflect the interests of the rich and so the rich are enabled to sustain their position and eventually even improve it relative to the rest of society leading to a larger inequality (Gilens, 2014, p. 81). More importantly, the democratic government will no longer represent the whole of society and this will undermine the democratic ideal.

Privatized supply side

In the situation of a privatized supply side the benefits for efficiency are expected to be comparable to the situation of purely private provision, because the major efficiency gains are generated by the supply side and the supply side in this form is still private, only the demand side is public. An example of this may be some kind of licensing system where the government licenses private institutions to supply education, while offering it to its citizens for free. By using this form of provision there can also be a wide range of players in the market who are competing with each other in producing the demanded education in the most efficient way possible, so that they can offer a lower price without going bankrupt. Next to that, the profit goals will, as they did in the purely private form, provide an extra incentive for employees to be efficient and for managers to closely monitor the process.

However, a privatized supply side also suffers from the same state regulations as the purely private form and it will therefore also suffer from political opportunism. The changes in political course will still have an effect on the efficiency of the company. What is different in this case is the demand side, which is publicly organized. Therefore, the state will look for the suppliers that can generate the education that is wanted by them at the lowest costs. The fact that the state in this case decides what kind of education is bought does not change the degree of efficiency that is gained by privatizing in the first place.

What it does affect is the freedom of the people who are going to consume the education. In this scenario they have only some kind of indirect influence on what kinds of education are bought through the democratic system. They can vote for a particular party or candidate who promises that the form education that they want to enjoy will be provided, but they do not have direct influence. This is a large difference with the purely private provision of education, because in that case individual citizens could decide themselves what kind of education they want to buy and because of the demand that they create they can have a direct influence on what kind of education is supplied. In the scenario where only the supply side is privatized and not the demand side, citizens should hope that the education of their liking is bought by the state, otherwise they cannot enjoy it. The state acts paternalistically to a certain degree in this scenario, because the state decides what is bought and how much money is spent on it, and the degree of this paternalism depends on the extent to which the state is willing to listen to wishes of society when it comes to the kind of education that is bought. More kinds of education means more options to choose from and thus a larger degree of freedom and a smaller degree of paternalism. The supply side is as free as the supply side in a purely private provision of education, but will however be forced to respond to the wishes of the state in order to survive. As a consequence of this the less mainstream forms of education could go bankrupt if the state only buys educational forms that conform to their standards, while with a completely free demand side they would have been able to utilize their niche in the market. However, this totally depends on the choices of the state. This is a negative aspect of privatized supply side compared to a purely private provision of education, because that form does enable people to have a direct influence on the demand. It does not experience the consequences for the demand that come with a new political course.

The negative effects on freedom that come from only privatizing the supply side do on the other hand have an upside, because they have a positive influence on the problem of inequality. Because of the fact that state now accounts for all the demand for education and I assume that the state acts according to the fair equality of opportunity principle, the social and financial background of citizens does not provide them with an unfair (dis)advantage anymore. The state decides which kinds of education are bought and all

citizens can apply for these kinds of education. The citizens can then be allowed to follow an education at a certain school only by a matter of capacity, when the level of education matters, or by a matter of luck or time of registration, for basic education.

Furthermore, all schools and forms of education should be offered at the same price, if the state chooses to charge money at all, and prices should not be determined by market pressures, otherwise the state is using its monopoly position in order to generate the highest amount of revenue and this should never be the case. The state is not an enterprise which may have profit goals. If there is a scenario where too many people are trying to get into the same school, people may, as mentioned earlier, only be selected because of their capacities or by luck or time of registration for example. Paying a certain amount of money to the state or using a family network in order to get into a certain school may definitely not help someone's chances of getting into a certain school, since this is morally wrong for the state to give privileges to people who are in the position to use those assets. As mentioned before these features of a person are morally arbitrary because they are undeserved and therefore, social and financial status may not be a feature over which one person is favored over another. Social and financial backgrounds are therefore not as big an issue as in the case of a purely privatized provision of education.

Another benefit of the privatized supply side is that the inefficiency of potential that occurred when large parts of society were not able to go to the best possible schools is not a problem anymore now. People who are demonstrable capable of following the highest level of education are now able to do so, because candidates are no longer selected by the size of their wallets, but by academic talent. Therefore, everybody is able to attend every school he or she wishes to go to, if he or she is talented enough to go there. Therefore, the potential that should have been lost in the case of a purely privatized provision of education is now recaptured.

Another consequence of the fact that money or social background does not determine to which school you can or cannot go, is that the problem of democratic solidarity will not be as big as when education is purely privately provided. It is a benefit that comes with a privatized supply side that it is not only the elite now that can enjoy the best education and therefore it will not only be the elite that has a chance of attaining the most influential positions in society. Therefore, the people in charge will not only have eye for the problems of the elite and they can better relate to different segments of society. This restores the representation of all groups in society and will affect democracy for the better.

Privatized demand side

A privatized demand side will first and foremost mean that the supply side of education is done publicly and the demand side is done privately, either with or without subsidies of the state. An example of this is the voucher system that was mentioned earlier. Citizens receive a subsidy from the state to spend on education, they are free to spend it on any school they want. However, the schools are provided publicly by the state. This means that the state controls what kind of education will be offered to society and thus what the different options are for citizens.

Since the supply side is organized publicly, efficiency will suffer compared to the purely privatized and the privatized supply side form of educational provision. This is because the state is now responsible for the supply of education and this has the effect that there is a lack of competitive pressures. This will take away a part of the incentive to be as efficient as possible. Moreover, there will also be less incentives within the organization

to be as cost effective as possible, because there is no direct need to break even or even make a profit. The state does not have profit greedy shareholders to deal with (Sheshinski & Lopez-Calva, 2003, p. 436). Therefore, monitoring of the efficiency of employees will for example decrease and this also affects efficiency (Boycko et al., 1996, p. 309). In comparison to the purely privatized and the privatized supply side form of provision, a privatized demand side will consequently be less efficient

On the other hand, with a privatized demand side, the people in a country will be in control of the choice of their education. They are in that sense free to choose which education they want. However, the state does control the supply side of education and will therefore very tightly control which forms of education are offered on the market. Therefore, a consumer of education is bound to the degree of diversity the state is willing to supply. It is probably much more costly for the state to provide fifteen different kinds of education that all fit the educational criteria they have set themselves. Therefore, a choice for a relatively small number of forms of education would be more cost effective for the state, but it is questionable whether a state prefers efficiency over freedom. The freedom of choice is nevertheless largely dependent on the state. If the state is willing to listen to the demand side of the market the degree of liberty will be relatively high, but if the state is paternalistic in the sense that they will only provide the education they deem important, the degree of liberty will decrease. Considering the argument of freedom, both a privatized demand and a privatized supply side can suffer from paternalism from the state, although the side of the market that is publicly organized is different. The purely privatized form of provision, compared to a privatized demand or supply side, does not suffer from this, but the supply of education should at least be in accordance with the standard of the state. Since I have argued that because of the delicacy of the good, education will be subject to strict regulations, the extra amount freedom that a purely private provision generates will still be limited to a certain extent. Therefore, the purely private form of provision does not entail a significant amount of extra freedom compared to the privatized supply or demand side.

One of the specific benefits of a privatized demand side is the fact that the problem of inequality could probably be diminished. Still the rich and powerful could offer more money or use their power or social network to be able to go to a certain school, but since the state is controlling the supply side this should have no effect. This is because the state should in this situation not exploit the fact that some people are willing and able to pay much more for their education than others, because it would harm the fair equality of opportunity principle. Assuming the state is just, which I do in this thesis, the state should treat every citizen as equal and should provide education in a way that a limited amount of money does not prohibit someone of going to a certain school. A privatized demand side has therefore a large advantage over a purely private provision of education when it comes to the problem of inequality and is equal to the form of a privatized supply side.

Assuming the fact that the state acts in a morally just way and does not take any kind of bribe from rich or powerful people, there is no problem of inefficiency of potential in this case. Every kind of education that is supplied by the state should be financially available for everybody in society. This entails fair equality of opportunity, because the acceptance to a certain school now comes down to features that are not morally arbitrary like talent or willingness. Therefore, every person from every segment in society is able to follow the education that suits their capacities, which enables them to live up to their full potential if they wish to do so and therefore prohibits that talent is wasted because of a lack of financial resources. Compared to the privatized supply side form the result is the same, but there is a large difference in favor of a privatized demand side compared to a purely private provision of education.

In a scenario where the demand side is privatized there is no reason to believe that the democratic solidarity is badly affected. Since the state controls the supply of education, they are in charge of the question who can attain which school and why. Again, assuming that the state acts in a morally just fashion there will be no unjust privileges for the elite and therefore people from all segments will be able to achieve positions where they can be of influence to the state. As a result the problem of a non-representative democracy should not occur, because every segment of society should be able to represent itself and serve the interests of all people in society. This result is again comparable with the privatized supply side and much better than the purely private provision, because that form suffers from severe solidarity problems.

Purely public provision

The situation where the state is in charge of both the supply and the demand side of education is the least efficient form of provision, compared to the other forms I am using in this thesis, if we are to believe some of the literature (Boycko et al., 1996; Sheshinski & Lopez-Calva, 2003). The lack of competition and the lack of pressures to break even will not provide an incentive to be more efficient. Next to that, in this form there is no market involved anywhere and the state dictates everything. Therefore, changes in the political landscape could radically change the demand and supply of certain forms of education. If this happens it will lead to a greater inefficiency, because as I mentioned before, changes in political course can affect efficiency. The lack of market pressures and the vulnerability for political changes make that this form of provision is the least efficient of the four forms.

If the supply and demand for education are controlled by the state, the degree of liberty that the citizens enjoy when it comes to their education is less than in all of the other forms of provision that were mentioned in this thesis. This does not mean per se that citizens are totally restricted in their choices for education, but they can only choose between the options that are provided for them by the state. Furthermore, because of mandatory education people within a certain age segment are forced to make a choice between the different forms of education. They are not free to not choose any form of education at all, but this is the case for all forms of educational provision.

Furthermore, in the case that education is provided for in a purely public way and assuming that everyone in society has access to education, there can be no case where social or financial background makes a difference when applying for a certain school. That is if the state acts in a morally just way. In other words: there should not be any form of inequality of opportunity for people who have the same talent and work just as hard. Since I am assuming that the state sticks to the fair equality of opportunity principle, everybody is thus treated in the same way when it comes to education.

This equality within society that arises from a purely public provision of education has the benefit of remedying the problem of inefficiency of potential that comes from monetary issues. Schools are available for everyone and will be priced so that everybody can afford them. Therefore, anyone with a certain amount of potential should be able, if he or she is willing to work for it, to live up to that potential. That does not mean that they will, but people are not limited by a morally arbitrary financial barrier in this scenario. This is the same for a privatized demand and supply side for of provision, but it is a great asset over a purely private provision of education.

Furthermore, the fact that people from all sorts of lineages are able to go to the best possible schools, will have as an effect that people who work in influential positions are more aware of the problems of other groups in society and this will enhance their

solidarity with other groups. Therefore, they will be making policy decisions with more regard for their problems. As a consequence all the different segments in society will be represented and there are less problems with the representative democracy. The positive effects on inequality that a purely public provision of education has, will furthermore limit the possibility of the rich to influence politics in their favor. A purely publicly provided form of education therefore takes care of the problems that are encountered in the purely privatized form of educational provision.

Conclusion

The question for this thesis was for me to find an answer to the question what the effects of privatization were on the access to education and if it is desirable that education is privatized and if so in what form that should be done. I have provided four ideal types with different degrees of privatization and compared those for the case of educational provision.

Firstly, purely private provision of education, the form where supply and demand are both privatized. After applying my arguments in favor and against privatization in this particular form, I came to the conclusion that educational provision should never be purely private. First of all, assuming that the state will always regulate education, a well-functioning completely private market is not even a possibility for education. As was mentioned before, no market can be totally free because true laissez-faire is not logically possible (Satz, 2010, p. 27), but for education this is even more so because education is such a delicate good for a state. Education is too important for society and therefore, whoever is in charge of the state will make its mark on it and interfere with the free market process. Secondly, education should never be provided completely private because purely privatizing the educational provision gravely undermines the fair equality of opportunity principle. This reason in itself is enough for me to reject this form, but inequality brings about more problems. The enhancement of inequality results in inefficiency of the realization of potential for a part of society and will eventually affect the representative democracy that we live in.

It has to be said that this form may be the most cost efficient form of organizing the educational system and that it will realize a limited amount of extra freedom compared to the other forms. This freedom is however still limited, because education is too important for society. This prohibits the state from leaving the market and forces them to intervene when education is wrongly provided.

For the purely public form of provision I similarly have to conclude that it is not the best form to provide education. There are two major concerns when it comes to this form of provision: cost efficiency and loss of freedom. The efficiency of publicly controlled services in general is lower than when that service is privatized and with education there is no reason to believe that this would be different. In case of a public educational enterprise there are no shareholders who want to see a profit for example and the cost monitoring will not be as strict as when the company was private.

When it comes to freedom, people are restricted to what kinds of education the state provides. In a liberal society like the Netherlands people prefer to be free to choose the education they want. They do not want to be patronized by the state. The freedom to make our own life decisions is considered a great good and the fact that a purely public provision of education limits that freedom makes this form less desirable. On the other hand, there are of course benefits that come with a purely public provision. The problems with inequality that occurred in a purely private provision will not be an issue in this form and the inefficiency of potential and the problems with the representative democracy will

not either. However, the privatized demand and supply side do not have these inequality problems either. Therefore, the problems with efficiency and freedom that this form entails do not make it the best way to provide education, although this form would be better than a purely privatized provision.

Compared to purely public provision, a privatized demand side is different in particularly one aspect: freedom. If the state is willing to listen to the market and will not push its own educational agenda it will provide citizens with the freedom to choose the education that they would like. This increased liberty in education can be seen as a benefit of the privatized demand side. However, it must be noted that this freedom will only exist by the grace of the state and can be taken away from the people. Considering that people in a well-functioning democracy are able to have some indirect influence on education it is reasonable to believe that this will not be a big issue, but it must be mentioned.

On the other hand, the efficiency in a privatized demand side will not be increased compared to a purely public provision of education since the state is still responsible for the supply of the education. Therefore, this form does not profit from the efficiency benefits of privatization and the efficiency will be similar to the efficiency of a purely public provision.

Furthermore, since the state has to operate in a morally just way it has to uphold the standard of equality of opportunity. It may not respond to the market pressures and raise prices for the education that is in demand the most and should prevent the fact that people who have enough talent or willingness to go there are prohibited because they do not have enough money. The feature that someone is born rich or poor is morally arbitrary and it is unjust when people are favored or excluded because of it. Therefore, the state may not act like this and should give people who are talented or willing enough to go to a certain school the opportunity to do so. The prohibition to respond to market pressures also has implications for solidarity in society which will not be harmed. People from every segment in society will be able to reach influential positions, which helps to create a well-functioning representative democracy and therefore decisions will be made with regard to every segment of society.

Of the four ideal types that I have investigated in this thesis, a privatized supply side will be the best form of educational provision. This is because a privatized supply side will be as efficient in supplying the demanded educational forms as in the scenario of the purely private provision, but does not have the same harmful effects on inequality. Since the state accounts for the demand side, social and financial background of citizens cannot be an advantage anymore when it comes to (access to) education. This will create equality of opportunity for everyone and will next to that eliminate the problems of inefficiency of potential and the representative democracy. It does however, affect the freedom of citizens in the demand side. In this form citizens cannot decide completely independent of the state what kind of education they want to buy, because they are limited to the kinds of education the state is willing to pay for. The supply side does have the freedom to supply whichever type of education they would like, but if they would like to maintain their business they have to conform to the state, since it is their only client and they will go out of business if they do not produce a form of education the state is willing to finance. On the other hand, if the state finances a wide variation of types of education people will still be able to choose from quite many types of education. Only if the type of education they prefer is not provided for by the state, they will not be free to enjoy it. In the end it is only this form of freedom that is lost in order to achieve higher efficiency, no inequality of opportunity, efficiency of potential and a well-representative democracy. Therefore, I must conclude that some form of privatization in education is desirable and that the best way in which education could be provided to society is through a privatized supply side.

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