

Privatization

By:

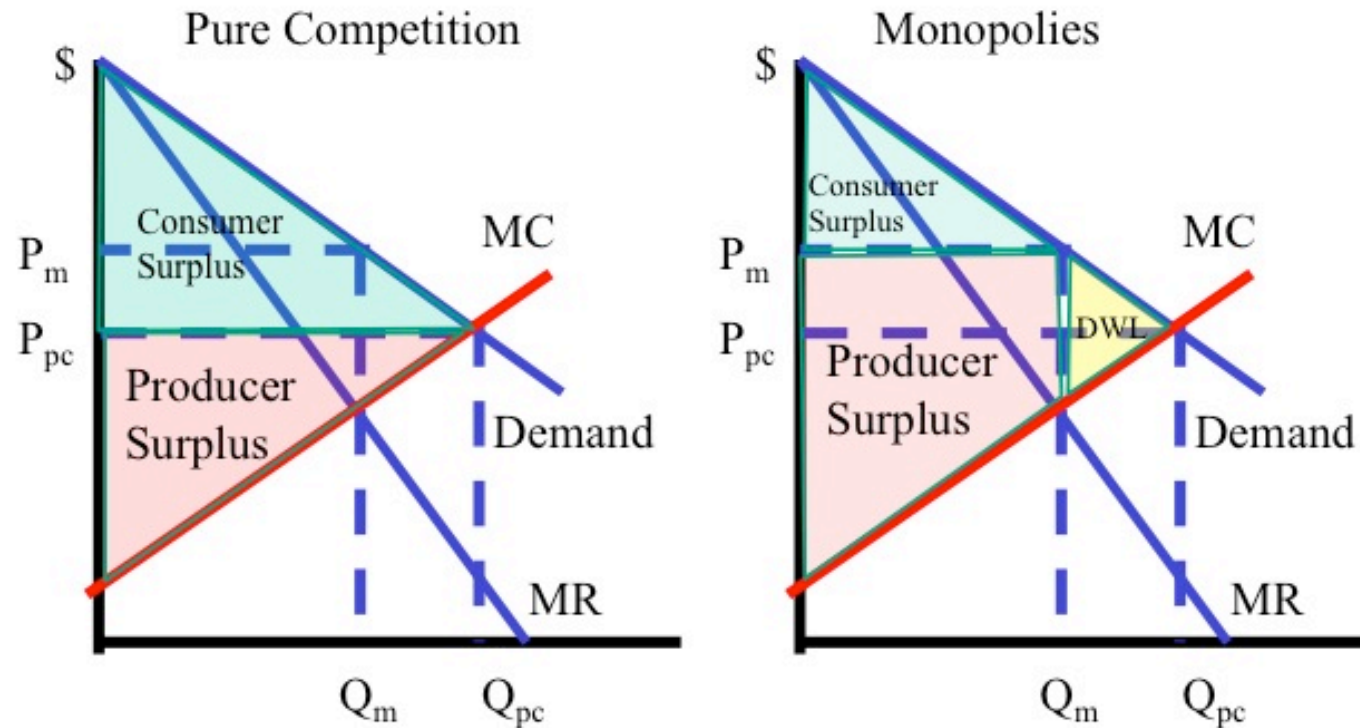
Rostyslav Czernee,

Government Agency **vs.** Private Firm

- Government Agencies act as a monopoly in the production of goods and services.
- Private firms compete for a position to be filled in the production of goods and services, creating a competitive market.
- Productivity is proven to be higher in a competitive market than under a monopoly, resulting at a production of the same good or service for a lower price.

Productivity of Monopoly **vs.** Competition

Not Allocatively Efficient: $P > MC$



Productivity of Monopoly **vs.** Competition Continued.

- In a perfectly competitive market, a firm will produce a good or service at the quantity where the supply curve meets the demand curve. Therefore there is no wasted benefits.
- In a monopolistic market, the firm will produce a good or service at the quantity where the supply curve meets the marginal revenue curve. Therefore the firm produces at a level which doesn't use all resources and lags the productivity of a perfectly competitive market.

School Choice Impact

- Allowing Parents to have a choice which school their child attends allows for competition within a privatized school system.
- With competition, the schools will theoretically improve education in order to attract more potential students.
- According to an article from bloomberg this might not be the case
<http://www.bloombergtview.com/articles/2016-02-12/school-choice-lotteries-fail-to-make-a-difference>

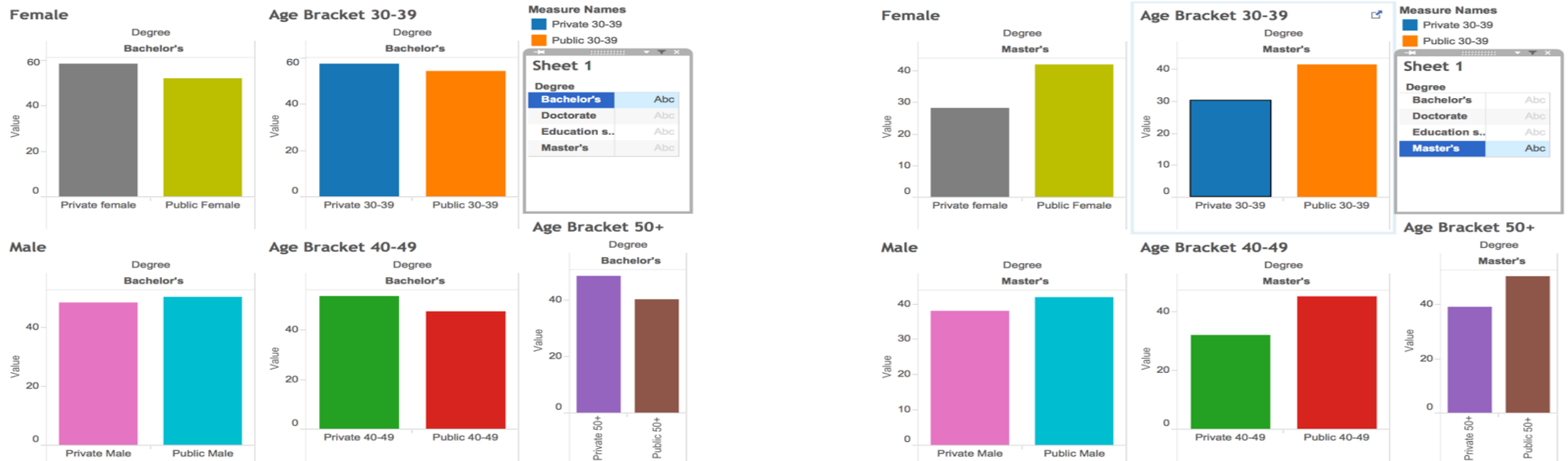
Bloomberg article on School Choice

- <http://www.bloombergtview.com/articles/2016-02-12/school-choice-lotteries-fail-to-make-a-difference>
- Next slide explains why privatization of school choice **may fail** in practice. (info from above article)

Explaining why Privatization of the School System Fails in Practice

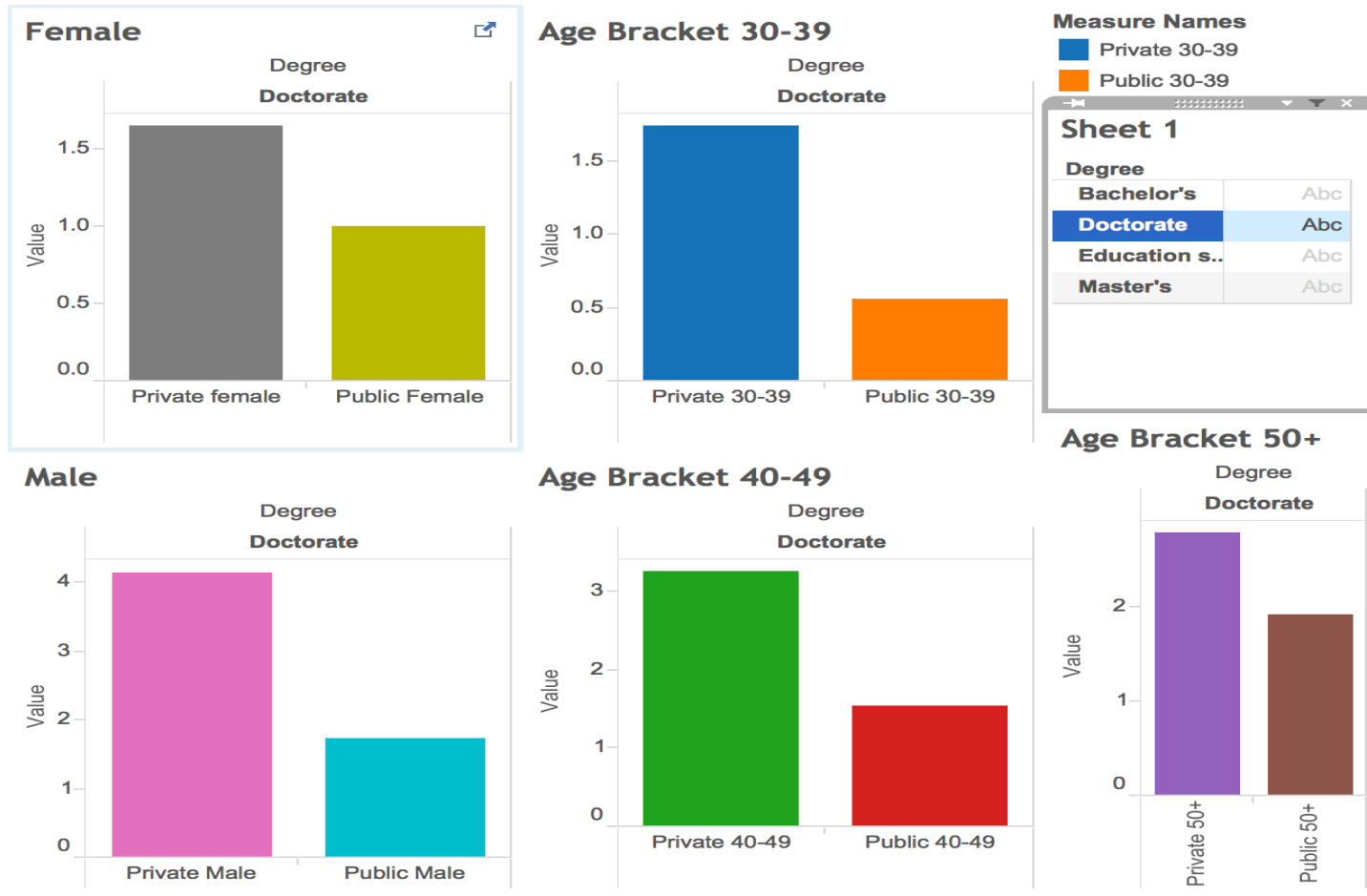
- One explanation is that student ability is solely impacted by: **Natural ability to learn, Personality, and Parental influence.**
- Another possibility is that Schools in general **don't vary** that much in terms of educational **quality.**
- Parents might **not be capable in distinguishing** which schools have a better curriculum in play.
- Parents might only want their kids to be around “smart Students” and **not necessarily influence** the child's academic performance.

Teacher Degree Gap



The number of teachers with a bachelors degree in private schools is not much higher than the number of teachers with a bachelors degree in public school. The gap somewhat widens when looking at teachers with a master's degree. The gap however does not equal the gap in performance of public vs. private schools.

Teachers with a Doctorate Degree

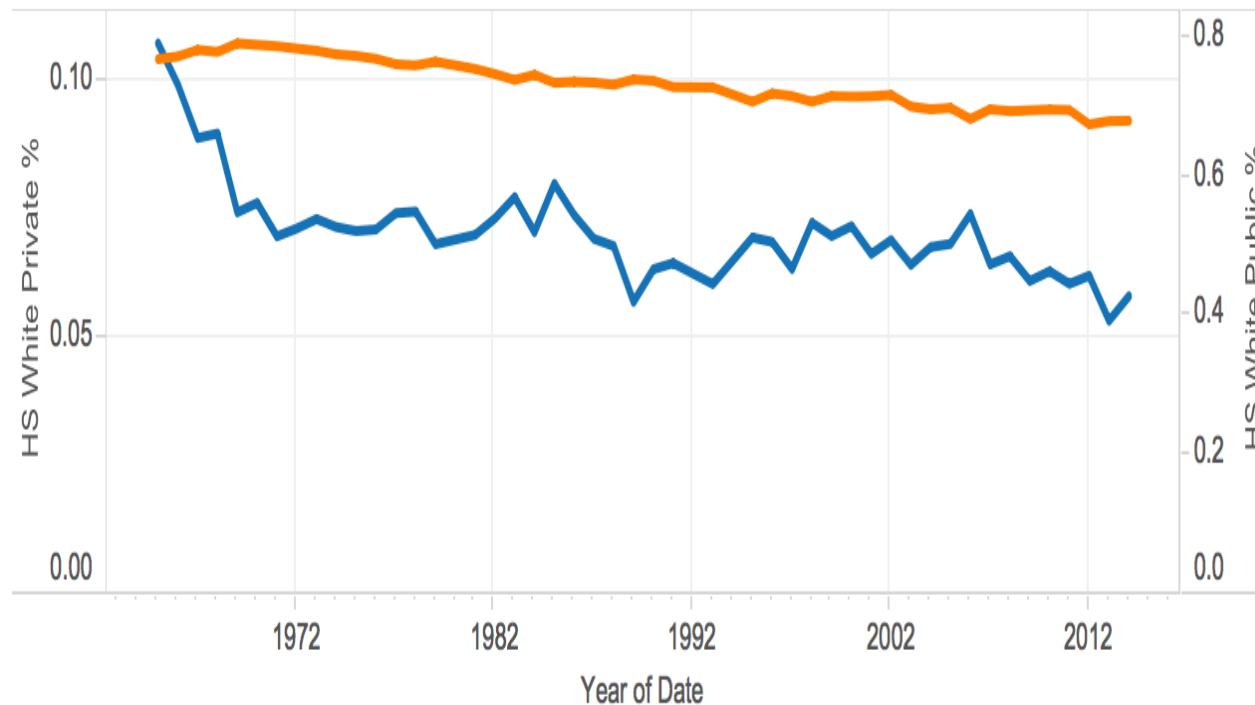


The number of teachers with a doctorate degree is significantly higher in private school than in public schools. This is an indicator of performance differences between private and public schools. The total number of teachers with a doctorate degree is much lower than the total number of those with a bachelor's or master's degrees.

Composition of High School Students in Private vs Public

High School Composition For White Students in The Public vs. Private Sector

- The Spread Between Private and Public Sector Is Very Large For High School Students.
- Private High School White Students Compose About 10% of the Student Body
- Public High School White Students Compose About 60% of the Student Body



The gap between the numbers of high school students in public schools and private is huge and has always been that way. The results nursery schools tell a different story.

Composition of Nursery Students in Private vs. Public

Nursery Composition For White Students in The Public vs. Private Sector

- The Spread between Private and Public Sector is significantly Smaller for Nursery Schools.
- Although The Public Sector moved to a higher Composition in the 90s, the gap between Public and Private composition remained smaller than for High Schools
- Public Nursery Schools went from about 20% composition to about 40%
- Private Nursery Schools went from about 60% composition to about 20%

