THE FREE EDUCATION POLICY IN CHILE: BETWEEN TRANSFORMING AND MAINTAINING NEOLIBERALISM

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ABSTRACT

Free education policies usually represent the antithesis and the antidote toward the rising cost and the inequalities brought by fees and loans to higher education. But can free education policies transform neoliberalism in higher education? This article explores the transformative capacity of the free education policy introduced in Chile in 2016. The article examines the continuities and discontinuities between the higher education system before and after the introduction of the free education policy. The article exposes that the free education policy effectively increased public investment in the sector and reduced the costs of higher education for a limited number of students in the system. However, the policy was incapable of reversing the privatisation of the provision and costs dominant in the system. The policy created a regulated submarket with high public subsidies and higher regulations that coexist with an open university market, where high costs, low regulation and low public support remain dominant. The article is based on the qualitative analysis of policy documents and a descriptive analysis of quantitative data on public spending on higher education. The article finishes debating the challenges that the policy faces in the future and what aspects of higher education need to be changed to build public and free systems of higher education in Chile and other countries.

Keywords: higher education, free education, neoliberalism, fees and loans, public education, Chile

INTRODUCTION

In recent decades a new generation of Free Education Policies (FEPs) has emerged in higher education. Countries like Ecuador (2008), Chile (2016), South Africa (2018), New Zealand (2020) and Colombia (2021), among others, have introduced new types FEPs. Like in the 1960s, the new generation new FEPs aimed to widen participation, open more opportunities for social mobility from disadvantaged groups, and guarantee the right to education. However, unlike their predecessor, the new FEPs also aimed to reverse the marketisation and commodification of higher education advanced by the neoliberal policy agenda.

In fact, most of the new FEPs represent policy answers to rising opposition against neoliberalism in higher education. In countries like England (2010), Chile (2011), Colombia

(2011), Canada (2012), and South Africa (2016), student movements have criticised the rise of costs brought by neoliberal policies and the impacts that fees and loans had on access and the reproduction of social inequalities (della Porta, Cini, and Gúzman-Concha 2020, 30–31; Sukarieh and Tannock 2018, 122). For activists and progressive policymakers, the new FEPs represent an active effort to replace the market model with new forms of public investment, provision, and regulation.

Despite the political context behind FEPs, most of the debate about the new policies has concentrated in their immediate impacts on access, equity, and financial sustainability (Nikula and Matthews 2018, 12; Rivera 2019, 68; Sefoka 2022, 27–28). The literature has put little attention in analysing the transformative capacities of the new FEPs and their impacts on the efforts of replacing the neoliberal policy path. In this article, I explore how effective the new type of FEPs can be in transforming market-driven systems of higher education. The article analyses the case of the free education policy of Chile.

Chile introduced a free education policy in 2016 as part of the wave of higher education reforms that surrounded the introduction of the Higher Education Law of 2018. The reforms aimed to transform the market-driven policy path dominant in the country since the 1980's, while answer the critiques of the student movement toward neoliberalism in education (Guzmán-Concha 2017, 38–39). The article shows that the policy represents a new type of financial aid that, unlike previous instruments, effectively replaces private spending with public one. However, the policy had a limited impact on reversing a the marketisation of education. The policy reorganised the higher education market into two types of market subsystems, where a regulated market coexists with an open one.

Section one of the article analyses the introduction of fees and loans as part of the cost-sharing agenda in higher education. The section proposes a taxonomy of varieties of university markets that help to identify the impacts of the cost-sharing agenda in the political economy of higher education. Section two describes the methodology. Section three offers a historical overview of the introduction of the neoliberal agenda in Chile, its controversies and the changes introduced by the higher education reforms of 2018 and the free education policy. In section five, I compared the transferences of costs and responsibilities between students, the government and universities that free education brings. The article concludes by explaining how the free education policy produced a regulated market within an open market and what lessons can be learned for the process of de-marketisation of higher education.

NEOLIBERALISM AND MARKETS IN HIGHER EDUCATION

The study of neoliberalism in higher education has many definitions and angles. In this article, I define neoliberalism as a policy agenda whose distinctive aim is the construction of competitive markets in higher education. The concept of policy agenda describes the active efforts to make a competitive market possible. The definition includes the design and implementation of various policy prescriptions and distinctive devices that enable markets to work and coordinate new areas of social interaction.

Neoliberalism and the cost-sharing agenda

In higher education, one of the most distinctive policies and devices to build competitive markets are fees and loans. Fees are an economic condition to access higher education (Johnstone 2006, 56–57). Fees allow universities to raise incomes by selling education services to students. Loans are a financialised form of fees, where a creditor borrows the money from students, and students repay the money after graduation. Loans also represent a way to subsidise the purchasing power of students and families that cannot afford upfront payments (Barr et al. 2019, 34).

Fees and loan also represent distinctive policies in higher education. The literature describes fees and loans as part of the *cost-sharing agenda* (Johnstone 2006, 4). The concept describes "a shift of at least some of the higher education costs burden from the governments or taxpayers to parents and students" (Johnstone and Marcucci 2010, 2). The cost-sharing agenda aims to increase the role that students and families play in funding universities by transferring part of the costs spent by the government to fees.

The arguments behind sharing-cost measures are mainly pragmatic. The agenda promises to raise university incomes to boost expansion and improve quality without raising public investment. Cost-sharing policies also promise to create a fairer and more efficient way to fund the sector. The public system used to rely on direct negotiations between the government and universities, and it used discretional criteria to allocate resources in the sector. By contrast, fees and loans, vouchers and means-tested grants represent rational mechanisms to allocate resources and give an intrinsic order to the system (Eisemon and Holm-Nielsen 1995, 415–416).

There are also moral arguments to endorse the cost-sharing agenda (Johnstone 2006, 8). The main imperative of the agenda is to make sure that those who benefit more from higher education pay for it. The principle relies on the distinction between social and private benefits of higher education derived from human capital theory (Chapman, and Pope 1992, 286). The theory suggests that higher education tends to increase the economic returns of graduates, being predominantly an individual investment. Therefore, individuals should be responsible for funding their benefits instead of the government with collective taxation.

The cost-sharing agenda represents a global trend in higher education. In 1994 the World Bank estimated that income from tuition fees represents only 10 per cent of public institutions in around 20 countries (Albrecht and Ziderman 1992, 11). Today the number of countries with fees and loans continues to increase, and the private contribution to tertiary education reaches 25 per cent among OCDE countries (OECD 2022, 226).

Authors like Slaughter and Leslie (1997, 89–90), Giroux (2014, 43–44) and Soederberg (2014, 106) have described the cost-sharing agenda as the distinctive policy package of neoliberalism in higher education. The agenda promotes the creation of competitive markets in the tertiary sector, and it induces the commodification and financialisation of higher education services. The agenda endorses the proactive transference of costs and provision from the government toward students and private providers and rolls back the responsibility that government and public institutions play in funding and providing higher education (Carpentier 2012, 375–376).

In addition, the introduction of fees and loans encourages the development of a new moral economy that places students as consumers and orientates universities to adopt managerial practices (Brooks, Byford, and Sela 2015). Consequently, the agenda transformed something that used to be free and was considered a social right and a public good into something to buy, sell, invest, and trade, which acquired the status of a commodity service, a financial asset, and a private benefit.

Varieties of markets in higher education

The critical analysis of the cost-sharing agenda tends to draw a homogeneous view of the process of market construction. However, the implementation of the agenda takes multiple forms depending on the national and sectoral realities where the agenda is implemented. To deal with this complexity, the article brings the concept of varieties of markets into the debate of higher education.

The concept of varieties of markets stresses that depending on the historical and cultural arrangements in which markets take form, sectoral and national markets would work differently from each other. The concept of market varieties is inspired by the notion of varieties of capitalism proposed by Hall and Soskice (2009, 22–23), but instead of looking at the national system of provision, my analysis focuses on gradual differences in a specific sector of the economy. Applying this principle to higher education means that depending on the institutional structure of the sector and the policy preferences of each country, fees and loan systems would work differently, and they will create different varieties of higher education markets (Dill 1997, 177–179).

Table 1 proposes a taxonomy of different market regimens in higher education based on the degree of freedom that universities and students have, the role that government play in the regulation of prices, enrolments, provision, and supply and the predominant funding mechanisms. The taxonomy recovered the work of Brown (2011, 16–17) and Graf (2009, 572–573), who distinguish the market and the public models of higher education as two distinctive and opposite ideal types of higher education systems. The classification added the distinction analysed by Dill (1997, 177–178), who distinguished different varieties of market regulations in the provision of education and defined the existence of quasi and regulated markets.

The taxonomy considered the four fundamental freedoms required for the creation of competitive markets in general. As Brown (2011, 17) explains, a market requires at least four distinctive freedoms to be considered a free market. Freedom of access that means that sellers and buyers can take part in the market with minimum or no access barriers. Freedom of price, which means that prices are settled by fluctuations in supply and demands as representative actions of individual choice. Freedom of supply and consumption that mean buyers and sellers can exchange what they need without other intervention that their own preferences. Finally, the taxonomy adds the axis of funding, distinguishing who pays for higher education.

Table 1: Varieties of higher education models.

	Market models			**Public Model**
	Open	**Regulated**	**Quasi-Market**	
Provision	Low access barrier to new providers. Predominance of private provision with the presence of for-profit institutions.	Low access barrier to new providers. Control mechanisms of university quality and functioning Mixture of public and private providers, with the prohibition of for-profits providers.	Close system of providers. Predominance of public providers.	Close system of providers. Predominance of public providers.
Price	Freedom of prices Universities decide what to charge.	Regulated prices. Universities can decide prices based on max/min caps or values defined by the government.	Fixed prices defined by government authorities	Free education
Programme supply	Universities decide what programmes and degrees are offered.	Universities decide what to offer. The government regulated the offer of new programmes through quality control and financial incentives.	Universities and the government agree on the programme and degrees to offer.	Universities and the government agree on the programme and degrees to offer.
Access and enrolments	Freedom of enrolments. Universities decide enrolments.	Regulation of enrolments. The government defines or limits enrolments.	Government limits enrolments.	The government defines enrolments.

	Market models			Public Model
	Open	Regulated	Quasi-Market	
Funding	Universities are predominantly self-funded, relying on fees, donations, and patents. Students pay the full costs of fees. The Government and other private creditors provide fees and maintenance loans. The government subsided teaching and research with targeted and conditional vouchers and grants.	Universities are predominantly self-funded, relying on incomes from fees, donations and patents, and government direct and indirect subsidies for teaching and research. Students pay regulated fees and have access to multiple subsidies and financial aid that reduce costs. The loans system is entirely public and funds students and institutions under certain conditions.	Universities are publicly funded but financially autonomous. They rely on conditional and indirect government subsidies. Students pay low fees, with substantial support from the government.	Universities are publicly funded, relying on direct and indirect government subsidies, donations and patents. Free education with direct funding to institutions.

Source: Author's own elaboration based on Dill (1997), Graf (2009) and Brown (2011).

The taxonomy distinguishes four ideal types. First, the public model, where the government assumed most of the cost, provision, and control of higher education. In this model, there is no price system, and the government funds universities using direct or indirect grants. The aperture of new universities is decided by the government or the parliament. Likewise, enrolments and programmes are decided by government institutions in agreement with universities. The education is free, and students do not pay to access or pay a minimum amount to register.

Second, the taxonomy describes three varieties of the market model. A quasi-market one, describes a system where universities are publicly funded, but they compete for funding and students like if they were in a market (Niklasson 1996, 7–9). In this model, the government offer public funding through competitive mechanisms, such as a conditional or means-tested grant, and indirect subsidies offered to students; therefore, universities compete for funding and enrolments (Dill 1997, 177). There is a price system, but fee levels are defined by the government, working as a measure and distributive resources between institutions.

In a regulated higher education market, the price system is regulated; however, universities can decide their prices in a limited range. Enrolments and access are also decided by universities but under government regulations. Unlike previous models, in a regulated market, there are incentives that favour the aperture of new private universities; therefore, the provision tends to be a mixture of public and private institutions. In this model, students pay a significant part of the teaching costs, but they receive substantive support from the government through vouchers and loans. Universities are financially autonomous, but they also receive public funding through students and mean-tested grants or competitive funds for teaching and research.

Finally, in an open market, the provision and costs of higher education are predominantly private. Universities are considered autonomous and self-funded institutions with limited support from the government. Students are responsible for paying for their studies. In this system prices, enrolments and programmes are free, consequently, each university decides what to charge, how many students enrolled and what to teach. The government provided indirect subsidies through mean-tested scholarships and loans for students. However, most of the costs are transferred to students. In addition, unlike the regulated market, the loan system is open to public and private creditors, involving banks and other financial institutions willing to lend money to students.

The taxonomy describes here allows to identify the different forms in which the cost-sharing agenda can take place and the different expressions in which markets can work in higher education. Unlike the previous classification, the proposed taxonomy focuses on the institutional and financial nuances within market policies. The taxonomy, therefore, is sensitive to the process of incremental change and movements of advance and retreatment of neoliberal policies within the sector. The taxonomy also helps to identify continuities and changes within one case, facilitating the theorisation of a long-term process of market construction and adaptation across time. As section 3 details, the taxonomy helps to identify the impacts that the free education policy of Chile had on the neoliberal policy path and how the policy changed the market model by moving a fraction of the system from an open market into a regulated one.

METHODOLOGY

The article is based on a historical case study, which allows a deep understanding of one case as a base to theorise a more complex phenomenon (Mahoney and Rueschemeyer 2003, 7–8). The article explores the transformative capacity of new free education policies to transform the higher education market in Chile. In the field of neoliberal studies, the literature describes Chile as a “neoliberal laboratory” because it is a country with an early and radical implementation of neoliberal policies in various policy areas, including education (Harvey 2007, 8). Cost-sharing policies were introduced in 1981 as part of the reorganisation of education and other social sector driven by the Chicago boys and the civic-military government of Augusto Pinochet (Espinoza 2017).

The policies implemented in Chile’s tertiary education have been considered an early example of the benefits of market system can have on developing countries. Along with

Ecuador and Brazil, Wolff and Albrecht (1992, 7) highlighted the relevance that the market-orientated reforms of the 1980s have to the higher education system of Chile. A similar phenomenon happened years later when advocators of the loans system analysed the case of Chile as a challenging experience and a bad example of the loan implementation with various political consequences (Salmi 2014, 78).

The analysis is based on policy documents and descriptive analysis of quantitative data. My analysis included a total amount of 90 documents. The data set included laws, decrees, proposals, summaries, reports, and policy briefs produced by the Ministry of Education and the Education Commission of the Parliament during the design and legislation of the free education policy and the 2018 higher education reform (2014–2018).

I conducted a deductive content analysis of documents, which allowed me to identify teams theoretically relevant to the research process. The analysis focused on the regulation of fees and loans and the changes in the student financial aid that the system experienced before and after the 2018 reforms. I also conducted a descriptive quantitative analysis of the changes in the public and private contribution to higher education between 2000 and 2021 based on ration of public/private spending share from OCDE.

CHILE: BUILDING AND CONTESTING UNIVERSITY MARKETS

In Chile, the process of market construction started in 1981 when the dictator General Augusto Pinochet (1973–1990) imposed the General Education Law that dismantled the public higher education system and reorganised it as an open market model (Espinoza 2017, 95–96). Before the reform, the government financed universities with direct grants, covering the cost of teaching and research. Education was free for most of the students, and enrolments, access and programme were defined by the government in agreement with universities. The system was composed predominantly of state-owned national universities and small private universities organised as corporations of public right.

Building the university market

The 1981 reform replaced the public model with an open market one and it forced the privatisation of costs and provision. The reform allows universities to charge tuition fees without imposing limits in the amount to charge (freedom of price). The reforms also reduced the barriers to open new universities and they favoured the creation of new private universities (Brunner 1993, 74–76). The number of institutions grew from eight in 1980 to 60 in 1990 (Bernasconi and Rojas 2004, 25). National state universities were divided into regional branches, and new private universities were created. The reforms also imposed limits to enrolments and growth on the state universities.

The reform reduced public spending from 1.05 per cent of GDP in 1980 to 0.47 per cent in 1988 (Brunner 1993, 78). It also transformed the financial tools to allocate and distribute public funding sources. The allocation of direct grants was reduced and complemented with competitive grants. The government allowed universities to introduce uncapped tuition fees and it also created the first student loan system to subsidise the students enrolled in pre-1980 universities. The new funding regimen effectively transferred the responsibility of funding from the government to students and forced universities to become financially independent (Brunner 1993, 75–76).

The policy agenda of democratically elected governments of the 1990s and 2000s pursued selective and gradual changes of the system introduced in 1981, with more continuities than change. The new governments increased spending on higher education but without changing the role that private providers and household contributions play in the system (Bernasconi and Rojas 2004, 50–51). During this period, governments also deployed complementary tools to correct market distortions in sensitive areas like quality, equity and scientific production (Salazar and Leihy 2013, 23). In 1994, the Ministry of Education (MINEDUC) transferred the administration of fiscal credits to universities, creating the Credit of Solidarity Funds (CFS). In 1997, MINEDUC introduced a new credit system for undergraduate and postgraduate students (CORFO credits). The policies also included new competitive funds to improve quality, institutional development, and the institutional systems of information (Bernasconi and Rojas 2004, 187).

In the 2000s the government created new financial tools to guarantee equal opportunities in access to higher education. The government introduced five new scholarships and a new massive loan scheme known as “CAE” (Bernasconi and Rojas 2004, 178). The State-Guarantee Loan Scheme (CAE in Spanish) is a tuition fees loan scheme funded by banks, which include a public-subsidised component, and it is administered by a public agency (Salazar and Leihy 2013, 24). CAE was introduced in 2006, and it was the first massive loan in the system. The loan scheme boosted enrolments, offered liquidity to students from low-income backgrounds, and was the most extensive financial aid offered by the government.

The market model massified the higher education system, increasing enrolments and universities. Currently, the higher education system enrolled 1,301,925 students, and it is composed of 152 providers, which include 59 universities and 83 further education institutions (SIES 2023). The policies also transformed the Chilean higher education system into one of the most expensive systems in the world. Until 2016, the annual average fee for students was around $7,524 in Chile, values that place Chile among the three most expensive higher education systems among OECD countries according to parity purchase power (OECD 2017).

Undoing the higher education market

The literature usually described Chile as a case of successful market massification (Brunner and Labraña 2020, 35). However, the cost-sharing agenda produced several problems and, over time, made fees and loans policies contentious among citizens. In 2011 a national wave of protests took place. For nearly three years, hundreds of thousands of students organised demonstrations, occupations, and rallies to demand "free, public and quality education for all" and "the end of neoliberalism in higher education" (Donoso and Somma 2019, 158–161). The protests opposed government funding policies and the dominant role that neoliberalism played in higher education.

The pressure of students changed the policy agenda and the orientation of higher education funding policy (Bidegain and Maillet 2021, 1073). In 2014 Michelle Bachelet assumed the presidency with an agenda focused on education reforms. Her government introduced a new higher education law that represented the biggest reform after 1981 (Bidegain and Maillet 2021, 1058). The reform defined a new framework for the system, describing its purposes, components, and types of institutions. The law also created new regulators to control and audit universities. The reform also defines a new quality accreditation system, which moved from voluntary and based on singular degrees toward a mandatory system, focuses on the evaluation of institutions. Finally, the law integrated the free education policy.

The free education policy

The free education policy was first implemented in 2016 and later incorporated in the 2018 higher education law. The mechanism to deliver free education is an annual transference of cash from the state to universities that take part in the policy. The transfer covers the total cost of teaching services per student, including fees, enrolment, graduation, and administrative costs. Student beneficiaries of FEP are exempt from any payment during the formal extension of their studies.

The law defines higher education as a right; however, the policy imposed several conditions on students and universities to receive the benefits. To receive FEP, students need to apply and show evidence that they are 1) Chileans or have the right to stay or have permanent residence in the country. 2) Do not possess a previous higher education degree or title. 3) To prove that their family incomes are under the deciles of income distribution that the policy covers. 4) inally, beneficiaries need to be accepted or enrolled in an institution participating in FEP.

To take part in FEP, universities need to complete five conditions. 1) to be certified with a higher level of quality (advanced or excellency categories) according to the new quality assurance system. 2) Being corporations of public rights or corporations of private rights without for-profits purposes. 3) Take part in the new access system for at least one year before applying to FEP. 4) Promote inclusive and equity policies, having at least 20 per cent of total enrolments of students from the first four deciles of the bottom income distribution. 5) Adopt the system of regulated fees.

In addition, universities taking part in FEP need to accept a regulated system of fees and enrolments cap defined by MINEDUC each year. An independent commission of experts determines the system of regulated fees. The commission establishes groups of programmes that represent an average fee price. The criteria to define each group consider the type of discipline, type of university and its quality, programme length, and other measures.

The law also defines a gradual expansion of FEP over time. In the first years of implementation, the policy benefits students up to decile six (c). However, the law establishes a gradual incorporation of further deciles that is conditional to growth in fiscal incomes. Transitional Article 34 determines that incorporating students from deciles 7, 8, 9 and 10 will happen when fiscal incomes reach a specific percentage of the national GDP trend (Biblioteca del Congreso Nacional de Chile 2023).

DISCUSSION

The literature has a critical perspective of the changes achieved by the 2018 reform and the impacts of the free education policy on higher education. Authors like Guzmán-Concha (2017) and Palacios-Valladares and Ondetti (2018) have highlighted the limitations of government strategy to reverse neoliberalism. For the authors, FEP is a supply-side instrument that continues stimulating competition for students among institutions. Moreover, public funding subsidises student purchase power without offering direct institutional funding to universities as it used to be under the public model. Consequently, FEP did not mean a significant innovation in the neoliberal policy path of higher education.

My analysis follows this critique, but I add some nuances to the debate. I suggest that FEP is a new financial instrument that innovated regarding previous ones because it improved public benefits and imposed new conditions on prices, access, and enrolments to universities. I base my analysis on two main impacts of FEP on the political economy of the sector. First, FEP changed the distribution of benefits and conditions of public financial aid for students and universities. Second, FEP reduced the shared of private contributions to the sector and replaced it with public funding.

More benefits, fewer conditions

As it was described previously, in Chile, the financial aid introduced between the 1990s and 2000s follows the guidelines of the cost-sharing agenda. The most common public financial aids were scholarships and loans. These instruments subsidy the private costs of education under certain conditions over students and universities. In Chile, the public financial aid system tends to concentrate most of the conditions on students while imposing only minimal requirements on universities. The free education policy changed this pattern, and it reduces conditions for students while increase requirements for universities to access the public resources attached to FEP.

Table 3 shows the distribution of conditions and benefits of loans, scholarships and FEP for students and universities. For students, the table distinguishes between academic and economic conditions, and for universities, the table describes the conditions of eligibility that each financial aid imposed. The analysis includes the most popular scholarships and loans for fees in the country between 2000 and 2020.

Table 2: Benefits and conditions of student financial aid in Chile (2000–2020)

Chile provided around 9 scholarships for fees, and around 16 for maintenance. In the analysis I considered the socharships with more beneficieri, which are the:

Financial Aid	Benefit	Conditions		Eligible Institutions
		Academic	Economic	
Bicentenario Scholarship	100% of nominal annual fees	>510 points university access test (PAES)	family incomes ≤ $420.94 USD	4 years of accreditation.
Juan Gómez Millas Scholarship	$1,375 USD of nominal annual fee	>5,0 school grade	family incomes ≤ $420.94 USD	2 years accreditation.
Academic Excellence Scholarship	$1,375 USD of nominal annual fee	Finish secondary school in the 10% of highest grades	family incomes ≤ $566.74 USD	2 years accreditation.
State-Guarantee Loan Scheme	up to 100% of real annual fees	-	-	Universities ascribe to the system.
Solidarity Fund Loan	up to 100% of nominal real fees	>485 or more in university access test (PAES)	Family income ≤$332.88*, or ≤ >$566.74**	Pre-1980 universities.
Free Education Policy	100% of the real annual fee for up to five years	-	family incomes ≤ $420.94 USD	4 years of accreditation, participation in access policy, regulated fee system and enrolments controls.

Sources: Author own elaboration based on Galleguillos et al. (2016) and Subsecretaría de Educación Superior (2023)
*Students from families with incomes ≤ $332.88 obtain loans for up to 100% of nominal fees.
** Students from families with incomes between $332.88 and ≤$566.74 obtain loans for up 60% of nominal fees.

As the table illustrates, in comparison to previous instruments, FEP reduced the conditions on students. Scholarships demand students to probe academic excellence, measured by their performance in school or in the university application tests, and socio-economic conditions, measured by family incomes. Likewise, the credit schemes demand fewer conditions, but they still require minimum academic standards from students. Moreover, the cost covered by loans depends on the socio-economic conditions of students. For example, for students whose family income is above $566,74 USD, the CAE and CFSC loans would cover only a fraction of fees, not the full amount. In contrast, FEP removed all the academic conditions over students and allocated the benefits based only socio-economic criteria and the eligibility of universities.

In addition, FEP improves the benefits that students perceive. The policy funds the total amount of fees for the total extension of the course. The law also forbids universities from charging any extra payment to students during their education, including enrolment and graduation. The increment of the benefit and the regulations on fees and payment effectively replace student contribution with public funding. In contrast, loans and scholarships do not cover the full costs of higher education and their financial contribution usually covered the nominal costs, which represents only a proxy of the real cost that universities charge to students.

Here it is important to consider the difference between the nominal and real fees in Chile (Escobar, Eguiguren, and Sánchez 2012, 5). The nominal fee is an instrument of public policy, where the government estimate the costs of a certain degree as a proxy of university fees. The nominal value allows the government to calculate the annual investment in public financial aid for the sector. The amount given in the scholarship and the CAE to students is based on the nominal fees. Nominal fees do not regulate university fees, and universities can still charge what they consider pertinent. The real fee describes the effective amount that universities charge students.

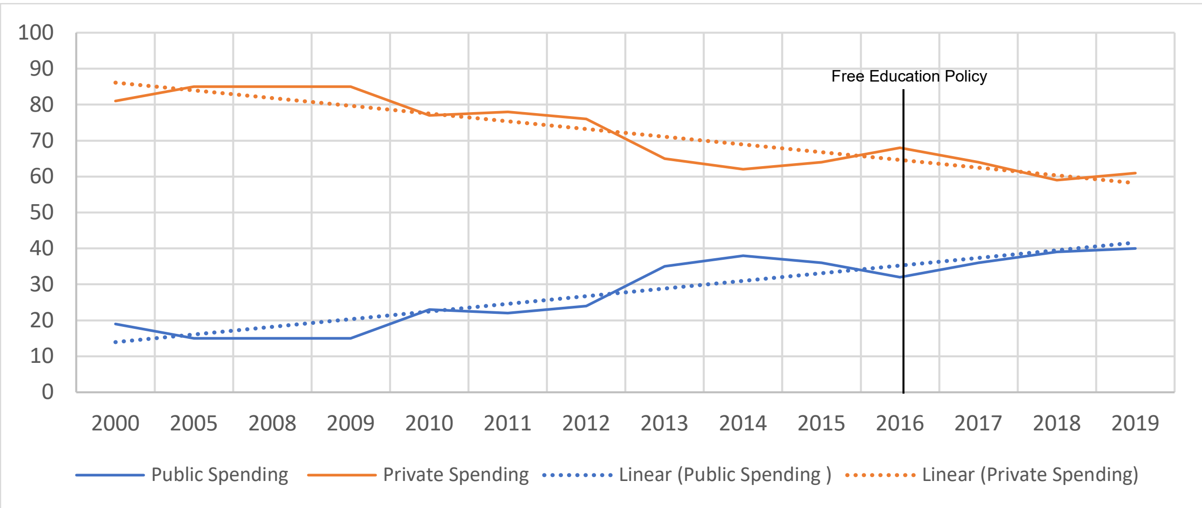
The Ministerio de Educación (2022) estimates that the difference between the real and the nominal fee can reach up to $6,586 USD with an average gap of $718 USD. The gap is usually charged to students as an upfront fee or a delayed payment with loans. Therefore, in Chile is common for students with scholarships to acquire a loan to cover the gap between nominal and real fees. FEP eliminates the gap by covering the full costs of regulated fees and prohibiting any extra charges to students awarded with the benefits. In addition, the policy establishes that for those students enrolled in universities participating in the policy, fees cannot be higher than 2.7 per cent of regulated values. The norm prohibits universities in FEP from increasing fees for students without benefits.

Another element to consider are the changes in the conditions over universities imposed by each financial aid. FEP increased conditions over universities and introduced new regulations to the distinctive freedoms of the market model. Universities participating in FEP need to accept regulations on the freedom of prices and enrolments and acquire more regulations on the programme that can offer to students that those institutions do not participate in the policy. Certainly, the respect for the freedom of choice of students and the indirect allocation of public funding to universities made FEP closer to a voucher. However, the conditions imposed on providers meant the introduction of new regulations that norm some of the distinctive freedoms of the open market.

Changes in private spending

The incorporation of regulations on the market model also helps to explain some of the distinctive impacts that the policy had on higher education. Unlike previous financial aids, FEP managed to replace a bigger share of the private contribution to higher education with public funding. With the implementation of the FEP the private contribution to higher education reached its minimum since 1995. In 2018, private contributions represented only 59 per cent of the total contribution to tertiary education.

Figure 2 shows the historical changes in the balance between public and private contributions to higher education (OECD 2022). In Chile, private contributions represent mainly the householders spending in tertiary education and the incomes that universities receive from fees.



Source: OECD (2022)

Figure 1: Relative share public/private spending in tertiary education. Chile 2000–2019

As the figure shows, previous financial aids increased public investment in the sector. However, because they did not include regulations on the freedom of price, universities continue raising fees, making it impossible for the government to match the costs of higher education. On the contrary, FEP intervenes partially in the transference of cost. The improvement in the benefits and the regulation of freedom of prices for universities taking part in the policy effectively replace private cost with public investment. The impositions of a system of regulated prices prevent universities from increasing fee levels and capturing more incomes from student and public spending, as happened with previous financial aids.

A system with two types of markets

Despite the innovations and transformation of market interactions, there are many limitations in the policy that is important to make explicit. First, the conditionalities in the policy mean that a significant proportion of students and providers are excluded from the benefits. In 2022, only 37 of 58 universities participated in FEP (Subsecretaría de Educación Superior 2023). The students of the other institutions can access only loans and some scholarships depending on their economic and academic conditions. Consequently, the improvement in the benefits offered by the policy competes with the limited extension that the policy has due to its conditions.

The limitation of the policy also helps to explain that despite the increase in public investment, the role of private contribution in Chile still is among the highest in OCDE countries. FEP might offer better financial benefits for students, but because it imposes several conditions on institutions, it excludes a significant number of students from the benefit. In other words, FEP meant better benefits for those who obtained it, but the policy has not improved the situation of all students equally. For those students enrolled in institutions that do not match the conditions of FEP or are not willing to take part in the policy, the costs of higher education remain high, and the financial aid available only covers a fraction of the costs.

The 2018 reforms increased the general regulations for higher education, but they did not intervene in the distinctive freedoms of provision, price, programme supply, and enrolments that the open market model gave to universities. FEP created a regulated market subsystem where universities are increasingly funded with public funding under certain conditions. The subsystem, however, includes a limited number of institutions and students, and it leaves most of the providers and students outside, facing rising costs of higher education and limited public support. The regulated subsystem represents a variety of the market model rather than a departure from it. Therefore, the exchange of education for money between universities and students remains dominant despite the innovation introduced by FEP.

CONCLUSION

The article analysed the transformative potential of the free education policy of Chile to overcome neoliberalism. The analysis showed that the policy introduced significant changes in the regulatory framework and the financial instruments of the system. However, the changes did not mean the transformation of neoliberalism in higher education.

The Chilean FEP created the basis for a regulated market system of higher education, where the government have more power to control and cover a bigger share of the costs of the sector. However, due to the limited coverage of the policy, the impacts of FEP remain constrained to a selective subsystem, which still relies on private provision and market exchanges to provide and fund higher education. Consequently, the changes introduced by the policy represent a transformation of a fraction of higher education within a still predominant market model.

The experience of Chile provides a relevant lesson to analyse the current challenges that the new FEPs policies faced. One of the limitations of FEP in Chile are the conditionalities of students' incomes that narrower the transformative impacts of the policy. The incorporation of means-tested conditions over students is supposed to protect public spending and give support to all those who really benefit. They also look to maintain certain fiscal discipline, avoiding spending too much on a service that only benefits a limited number of the population. However, in the context of a strategy to undo-market, mean-tested conditions work as a break that slowdown the decommodification process expected with the policy and tends to protect the policies of austerity that enable marketisation in the first place.

Certainly, the ideal public model should offer free education on a universal basis. However, the new FEPs still face the challenge of securing a sustainable funding strategy that enables a replacement of the market model with a public one capable of matching rising demands and expectations from the sector. The free education policies of New Zealand, South Africa and Chile have been criticised by the sector because they represent a threat to the economic stability of some universities and a fiscal challenge for governments. In Chile, many universities welcome the introduction of fees as a way to increase income and boost development, but they disagree with fixed fees or fixed grants as replacements for fees. Consequently, the replacement of private spending requires matching a similar or even better flux of resources to universities that allow them to continue developing their functions and developing the new public role that contemporary society demand.

To imagine a universal free education policy with the potential to reverse the transference of costs and responsibility produced by fees and loans seems imperative to define a long-term strategy for the public funding of higher education. The strategy should consider not only the actual costs of higher education but also the costs that higher education will require to continue developing and achieve the public purposes expected. From this perspective, the challenge that remains ahead is to imagine a suitable and long-term strategy to replace neoliberalism in higher education with a new public model where free education plays a role, but it is not the only driver and instrument of transformation of the sector.

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