
Feeling the Crunch: education policy and economic crisis

HOWARD STEVENSON

ABSTRACT The global capitalist crisis is impacting dramatically across nation states and their economies. Although a complete collapse of the system appears to have been avoided by decisions to take co-ordinated interventionist action to shore up short term demand, governments have generally rejected the more radical actions required to address the fundamental issues posed by the crisis. This is likely to have significant and long term consequences for education policy. In this article the importance of understanding the relationship between education policy and the wider economy is emphasised, as is the extent to which the shape of the former is increasingly driven by the imperatives of the latter. The article begins by exploring the relationship between education policy and the economy, and then identifies ways in which the current economic crisis is likely to shape education policy in the short and medium term. It argues that whilst the consequences for education policy are likely to be deeply damaging, there are new opportunities to reassert the case for education as a public good based on the values of local democracy and economic stability.

It is difficult to argue against the assertion that the world economy is experiencing its worst crisis since the 1930s, and that how this situation unfolds in the coming months and years is likely to have a profound impact on all our lives. Inevitably such a situation has considerable consequences for welfare provision generally, but it has particular significance for education services because of the complex and increasingly interdependent relationship between the economy and education policy. In this article I seek to identify the relationship between education policy, education provision and the wider economy and to explore the specific nature of the economic crisis that is currently being experienced. In so doing, I hope to identify the threats, but also the opportunities, for public education in the medium and longer term period.

Education and the Economy: understanding the connections

It has long been understood that the relationship between the economy, and education provision, is a complex one and that education has an important role to play in meeting the functional needs of the economy. Of course, the provision of education services is designed to meet many different demands, and such demands are not only multiple, but often contradictory. However, of all the pressures that drive education policy, the imperatives of the wider economic environment have always been pivotal. Recognising the complex, and contested nature of this relationship I want to argue that in recent history it is possible to discern two key periods that have shaped discourses relating to the relationship between the economy and education, and that these periods broadly correspond to the two extended periods of government experienced firstly by the Conservatives (1979-1997) and New Labour (1997 to the present). My argument is that whilst both administrations have been fundamentally committed to neo-liberal economic policies following the collapse of the post-war welfarist consensus (underpinned by Keynesianism), there are important distinctions between them, and these play out in particular with regard to education policy.

During the period of Conservative government economic policy was driven by a powerful pressure to challenge the bastions of post-war social democracy (the welfare state, organised labour, local government). The aim was no less than the realigning of society and societal institutions in ways that shifted away from a balanced and mixed economy to one that decisively privileged the market and private capital. Central to this process was a restructuring of the welfare state. Whilst there was an acknowledgement that education services were functional to the needs of capital the powerful influence of neo-conservative voices in policy ensured that education policy remained wedded to reproducing a conservative social order. Public services, such as education, were seen as a threat to the market – distorting incentives through higher taxation and promoting egalitarian values and as such were considered antithetical to the new market driven economic order. State expenditure on public services was seen as a drain on the ‘productive’ and ‘wealth creating’ private sector, with public spending ‘crowding out’ private capital (Bacon & Eltis, 1976).

Whilst Conservative education policy paid some lip service to the role of education in supporting the economy (through, for example, TVEI, CPVE and linked youth training schemes) the dominant policy themes from this era are ones in which economic competitiveness was to be secured through de-regulated markets and a commitment (rhetorically at least) to a small state. Cutting back public provision, and opening up markets to the private sector, were seen as the keys ways to promote capital accumulation. The consequences for education policy was that services were cut back, sometimes privatized and often stripped of the infrastructure and support necessary for them to function effectively. In the period before Labour’s election in 1997 the failure of this

neo-lib/neo-cons alliance was becoming more visible as a crumbling welfare state began to visibly implode. The experience of The Ridings school, a victim of 'parental choice' policies and a local authority made incapable of providing appropriate support to its own schools, stood as an signal of what the future held under a Conservative government (Murch, 1997). At the time voters saw the future, and the collapse of social frameworks, that went with it – and they voted for an alternative.

New Labour represented a break from the preceding government in important and fundamental respects. No longer did the government appear ideologically opposed to the public sector, but rather in terms of spending and governance, the public sector enjoyed some welcome support. This was not a government that saw the state, and the public sector, as antithetical to the neo-liberal project. On the contrary, one of the defining features of New Labour, was the conviction that government had a key role in sustaining the economy (Giddens, 1998). What is important to note is that the framing of political debate throughout all of this period was about means, and not ends. New Labour offered an alternative way of furthering the neo-liberal trajectory of past policy. By offering pragmatic solutions to the Tories' broken welfare state, and speaking about social inclusion in ways that addressed concerns of a fragmented and fracturing social order, New Labour was able to present itself as an alternative to a politically and ideologically bankrupt Conservative administration. What New Labour did not do was fundamentally challenge the basis of the neo-liberal restructuring of the economic and social order.

In education policy this was most notable in terms of the increasingly explicit links made between education policy and the economy. New Labour orthodoxy rejected the Thatcherite notion that the UK could compete with India and China in a global economy by weakening unions and driving down labour costs, but instead argued that the key to economic success in a globalised, knowledge-driven economy was the development of human capital. A belief that economic success depended on the development of skills, aptitudes and competencies amongst the workforce (see Guile, 2006). Economic success therefore depended crucially on education, training and development, combined with a recognition, reinforced during the experience of the Thatcher years, that this was something the private sector did not do well (Hutton, 1996). The consequence has been a relentless drive on the part of New Labour to 'modernise' the education service so that it better meets the needs of industry (Ball, 2008). From a focus on core skills of numeracy and literacy in early years education, through to the employability agenda in higher education, the education system has been overwhelmed by a permanent revolution in policy designed to reconfigure the future of the British workforce. At the same time, educational institutions themselves have been realigned to make them 'leaner and meaner', performing in increasingly marketised environments. For whilst New Labour has recognised the limitations of the free market in providing education and training on the scale required, it has been keen to make maximum use of market solutions where it can. From private sector funding to

build and run schools, through to the creation of the entrepreneurial University (trading courses and intellectual property in globalised markets) New Labour has redesigned the public /private divide in education in ways that make such distinctions increasingly meaningless (Ball, 2007).

As indicated previously, New Labour's approach to economic policy and education reform has been to seek technical adjustments to the policies of the previous government (to make them 'fairer', or to offset obvious market failures) but without fundamentally challenging the trajectory of the neo-liberal project first embraced by Thatcherism. The limitations of these efforts to fuse a form of Third Way social democracy on to an aggressive neo-liberalism have now been exposed. Instead, the failure to ever adequately regulate finance capital has created the conditions in which capital's avarice, and its perpetual need to promote ever greater levels of consumption, has resulted in an inevitable economic crisis (Gould, 2009). In a capitalist economic order crises are both inevitable and necessary. Although the term implies a state of near collapse, this is by no means the case during every period of economic crisis. Rather 'crisis' often represents a period of rapid readjustment, when conditions for improved profitability are re-asserted. During these periods there is significant dislocation, often resulting in smaller enterprises going bankrupt or being taken over, combined with significant increases in unemployment, but from which monopoly capital emerges stronger. This is perhaps best illustrated by the massive recession of the early 1980s. This was both a crisis of manufacturing, and a manufactured crisis, in which the Conservative government deliberately used recession to push back the frontiers of the state, to create the conditions for the restructuring of private capital and to inflict fundamental and potentially irreparable damage on organised labour.

What has distinguished the current crisis from any previous crisis since the 1930s is the extent to which this can be considered a crisis out of control. The price to be paid for embracing 'fast capitalism' (low levels of regulation, super-rapid capital movements) is that it is much more prone to volatility and by definition is harder to control. Indeed, control has been deliberately forfeited as a break on growth, but when growth becomes unsustainable (as it inevitably does) the regulatory frameworks do not exist to correct the instability. These are the conditions that have prevailed in the recent past and which have resulted in a crisis that looked at one point as though it might seriously undermine the very fabric of the global economic order. Had the collapse of financial institutions continued unchecked, the prospect of economic meltdown remained more probability than possibility. As it transpired governments across the world not only re-discovered Keynesian economic principles, but discovered that reflation could be co-ordinated globally.

Only history will allow us to judge whether the current economic crisis represents the forward march of neo-liberalism halted. What seems apparent at the current time is that centre-left governments in the UK and USA have re-discovered some of their confidence in the power of government intervention in the economy, but this has not been a sufficient experience to end the love affair

with neo-liberalism. Hence, what we have now is an economic fix, without any corresponding shift in political thinking. In the best traditions of Keynesianism, political leaders have sought to use fiscal and monetary policy to 'manage' the economy, but they have not used the crisis to raise more fundamental questions about the inadequacies of de-regulated markets, the weakness of an economic system driven by the demands of private capital and the failure of neo-liberalism to provide guarantees of stability and genuine social security for all. This in part reflects the recent failure of the Left to ever come to terms with the significance, and long term consequences, of Thatcherism. The limitations of this approach to managing the crisis mean that although the potential economic meltdown appears to have been averted, there is no more ambitious policy agenda to shift policy in a fundamentally different direction. As Cruddas & Rutherford (2009, p. 9) point out 'The Economic world view which led to the crisis is still underpinning attempts to solve it', and the failure to adopt a more radical agenda is likely to have significant consequences for education policy. These consequences are addressed in the following section.

Crisis? What Crisis?

The term crisis is often underplayed by economic commentators, preferring instead more benign terms such as 'credit crunch'. Moreover, if there ever was a crisis, we are increasingly encouraged to believe that it is now 'over' – the crisis is behind us. However, if this argument is sustainable it is still very likely that the crisis in public services is only just beginning. Labour's unwillingness to take more radical action in response to the experiences of the last 18 months means that the massive short term bail out of finance capital is likely to be paid for by the long term pressure on public finances, and therefore public services. Recent attempts to 'transform' the education system, and to make it 'world class' have not always been popular, and have been powerfully critiqued in this journal. However, they were generally accompanied by genuine increases in investment. This was key to New Labour 'modernisation'. Teacher union support for workforce reform example, was in part secured through real increases in funding (Carter et al, 2010). This real terms growth will almost certainly be thrown into reverse in post-recession Britain. Pressures to perform, and to raise 'standards' will continue to increase, but the resources to achieve this will not. If a Conservative government is elected in 2010, any reduction in resources will be much more substantial, and the resulting tensions much sharper.

Rather than seek to second guess specific consequences for policy, at this stage it is more sensible to identify broad features of policy that are likely to shape the future development of the reform agenda in the coming months, and indeed years. All of these developments will be shaped by a sharper need to generate value for money whether that be through reducing costs, increasing 'output' (relative to costs) or ensuring that the nature of the output is more closely aligned to the functional needs of the economy. Given these objectives,

and the state of public finances that underpins them, it is possible to discern three broad trends in policy – first to reduce public sector expenditure, second to shift costs from the public sector and third to ensure that costs are allocated where the ‘return on investment’ is considered most productive.

Reducing Public Expenditure

In plain English terms the education sector is going to have to get used to living with cuts. After years of increases in investment, in broad terms, the trend in spending will be reversed, perhaps sharply, as the Government desperately seeks to recover the huge sums spent on its reflation package. Whilst a Labour government is likely to continue to see education as a priority (no such claim could be made for a future Tory government), it is inconceivable to imagine education services not being badly affected by cuts in absolute funding. Where public spending will be maintained, in the interests of generating demand (and thereby employment), this is likely to be focused on projects that impact on sectors most affected by the recession, such as construction. All sectors of education are likely to find their public revenue sources cut, either directly from government, or indirectly through much reduced funding to local authorities. Schools, colleges and universities will all have to learn to live with less, with inevitable consequences for the quality of the service provided. Given the significance of labour costs across all education sectors one of the most likely consequences of cuts in public funding will be both job cuts, and a strong downward pressure, in real terms, on wages. Against a background of rising tax burdens, and possibly escalating inflation, this has the potential to become a major source of tension in the period ahead.

Shifting the Cost

As indicated previously, a feature of New Labour policy has been to combine private sector capital with that of the public sector as a means of boosting investment in ‘public’ services. *Building Schools for the Future*, the Academies programme and the wider use of the Private Finance Initiative all represent established forms of privatisation that are likely to be pushed even harder as government seeks private capital to ease the pressure on public spending. The consequences of such a development for local democratic control of public services are well known, and have been challenged comprehensively, not least in the pages of this journal. However, what is now becoming clearer is the link between an increasingly privatised education system, and private capital’s vulnerability in times of recession. The education sector now no longer experiences capitalist crisis ‘second-hand’ as it suffers the cuts in public spending that accompany a downturn in economic activity, but it is now experienced much more directly as private sector sponsors fall victim to the recession. In short, as the public education system and the private business sector become increasingly integrated schools, colleges and universities become

much more enmeshed in the ebbs and flows of the business cycle. The relative stability of public services is foregone, and replaced by the insecurity and the volatility of the market mechanism.

Nor will attempts to shift the costs of public spending be restricted to private capital, but it is likely there will be increasing attempts to shift spending to the 'consumer'. At a time when recession is likely to increase demand for education provision those who wish to study are likely to face increasing costs to do so. In the statutory sector this will manifest itself in myriad forms. Charges will become increasingly common and will escalate; home-school transport and schools meals are typical examples of where students are likely to pay more, with well documented consequences, given that such costs impact disproportionately on the poor. However, perhaps the biggest threat is in the post-compulsory sector where the temptation to pass costs on to students will be difficult to resist. Rising, and variable, tuition fees for example, become a real possibility when the pressure on public finances is intense. It is what Vice-Chancellors will be lobbying for as they find other sources of public finance cut hard.

Maximising the Return

A key feature of New Labour education policy has been the extent to which the aims of education policy have been integrated into the wider demands of economic policy. Economic recession is likely to intensify the pressure to demonstrate that any investment in education will yield a direct economic benefit. In schools this has previously been experienced as a narrowing of the curriculum, with a concomitant vocationalising of the 14+ agenda in particular. These trends are likely to accelerate as difficult economic circumstances ensure that economic considerations drown out all others when curriculum policy is being debated. As it is already clear that in employment terms the recession is impacting hardest on the young, and those seeking to enter the labour market for the first time, the pressures to further narrow the curriculum in FE colleges is also likely to intensify, as is the emphasis on the so-called 'employability agenda' in higher education. In all sectors, the danger is that already well-established trends towards an increasingly utilitarian and functional curriculum are further legitimated and indeed accelerated by a scarcity of public funding – the consequence will be a further impoverishment of the student experience as educational aspirations are subjugated ever more to the needs of capital.

Pessimism of the Intellect – Optimism of the Will . . .

Periods of crisis always represent both threat and opportunity for those who seek change. The prognosis I have set out in this article is unquestionably bleak, and I think it naive to deny that every element of the public education service will experience considerable problems in the short and medium term future. My own intellectual pessimism has been exacerbated now it is manifestly clear that

the Labour government has failed to confront the economic crisis at a political and ideological level. It has, so far, treated the crisis as a market failure that needs fixing, rather than a failure of markets that need challenging, either by robust regulation, or where appropriate, public provision. Labour's failure to tackle the crisis adequately will ensure that the price to be paid for avoiding an economic meltdown will be paid for by public services for many years to come. Should there be a Conservative administration, or some form of Conservative-led coalition, in the relatively near future, this price will be felt harder and sharper.

Such developments will inevitably cause tensions, and it is from these tensions that it is possible to find cause for optimism. Whilst I have always been sceptical of a certain type of analysis on the Left that argues 'the worse it gets, the better it gets' I think it is important to recognise that the sharpening of tensions I have identified in this article will create opportunities for campaigns of resistance. Cuts in services, redundancies, falling real wages, botched privatisations, and rising student fees accompanied by a continued pressure on education workers to perform (and conform) are likely to create the conditions in which education workers and students begin to resist. Indeed one feature of the situation I have described is that the social partnership in the school sector including government and a majority of the teacher unions is likely to come under increasing strain. The *rapprochement* between the state and teacher unions has been underwritten by steady increases in spending. It is difficult to see that relationship being sustained when union members see exhortations to raise standards further accompanied by pay cuts, job losses and deteriorating working conditions.

The opportunity therefore is to develop effective campaigns of resistance from the skirmishes and conflicts that will emerge from the difficult times ahead. Whilst such skirmishes and conflict are, I believe, inevitable, there is nothing inevitable about the success of the campaigns that develop from them. Much will depend on the extent to which it is possible to forge alliances between those involved, recognising the tensions within some groups (notably teacher unions) as well as between different groups (for example, teachers and students). What seems clear is that if campaigns are narrow and self-interested, there is little possibility of mobilising the type of alliance necessary to make any significant impact on government policy. However, if sometimes small and localised campaigns of resistance can be linked to wider more fundamental questions of public policy and the nature of public services, then there are opportunities to bring people together in ways that overcome sectional interests. So far, the Left has been unable to seriously challenge the logic of a global capitalist system that tottered on the brink of collapse, with all its disastrous social consequences, and that was saved only by decisive state intervention. The opportunity presented by that point in time appears, for now, to have passed, and for the moment the initiative, ironically, appears to lie with the Right (see the 2009 Euro elections). However, the challenge is to ensure that as the economic crisis metamorphoses into a crisis of the welfare state it is possible to

not only mount effective campaigns of resistance against the consequences of that crisis, but to use the experience to develop a broader ideological campaign. It is necessary to re-engage in the battle for ideas and to reassert the importance of education as a public good, outside of the vagaries of a market exchange relationship, and as a central component of a society that values social justice, local democracy and economic stability.

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Correspondence: Professor Howard Stevenson, Centre for Educational Research and Development, University of Lincoln, Brayford Pool, Lincoln LN6 7TS, United Kingdom (hstevenson@lincoln.ac.uk).

