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The Political Economy of Charter Schools

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Synonyms

[School choice](#); [Neoliberalism](#); [Rights](#); [Profit](#)

Introduction

In order to understand charter schools and to avoid many of the confusions inherent in the charter school debate, it is helpful to view charter schools from the perspective of political economy. Perhaps the main reason there are so many misunderstandings surrounding charter schools is because there is no reliance on political economy to make sense of them. The fact that we live in a culture that is anti-inquiry, anti-discussion, and averse to scientific renderings of phenomena contributes to this state of affairs. The dominant forces in society, such as Wall Street, big business, and their political and media representatives, have a direct interest in promoting mystification and incoherence about many critical issues. This keeps people disoriented and vulnerable to ideas and agendas that are not in their interest. Today, nearly every issue is spun to

the point that no one knows what to believe any more. Maximum confusion is widespread. This incoherence and disinformation invariably harms the public interest and blocks the path of progress; it does not serve the majority.

Political economy provides us with rigorous conceptual tools which empower us to place any phenomenon, including charter schools, on a sound objective analytical footing. From the perspective of political economy, questions such as “are there any good charter schools?” or “how can we improve charter schools?” are superfluous. If anything, such questions are a frank admission that there are many lousy charter schools out there but somehow the concept and practice of charter schools is acceptable. Statements such as “charter schools are so diverse that it is undesirable to make generalizations about them” or “charter schools had noble, progressive, grassroots origins” are also erroneous or misplaced. Such questions and statements miss the mark altogether and expose the absence of a rigorous approach based on political economy.

From the standpoint of political economy, the main question is: what is the relationship between charter schools and the laws governing the production and exchange of the material means of life? That is, to understand the nature of charter schools, when they emerged, why they emerged at a specific time, and who they really serve, we must examine the way production and exchange of the means to reproduce existence takes place in a particular society at a particular time. Without

rooting phenomena in the material production of life, we risk taking an ahistorical and decontextualized approach to phenomena.

To this end, this entry defines political economy and describes the political economy of charter schools. Special attention is paid to the law of the falling rate of profit and neoliberalism as they relate to charter schools. This entry also outlines an alternative to charter schools and existing production and exchange relations. Such an alternative is a human-centered society that provides human rights, including the right to education, with a guarantee; it is the negation of the present state of affairs. Rights belong to humans by virtue of their being and for no other reason whatsoever; they cannot be given or taken away and must be guaranteed from birth to death.

Political Economy

Engels (1877) states that “Political economy, in the widest sense, is the science of the laws governing the production and exchange of the material means of subsistence in human society” (p. 104). Political economy examines how humans produce and exchange what they need to live, including the relations they enter into with each other in the course of this production and exchange. This production and exchange of products is the basis of every society because there can be no life, history, or development without the production of the means of existence. Engels goes on to clarify that while production and exchange “constantly determine and influence each other,” they are different functions because “Production may occur without exchange, but exchange – being necessarily an exchange of products – cannot occur without production” (p. 104). Not all societies have produced products for the purpose of exchange because not all societies have had a well-developed social division of labor and a system of private ownership. Such societies are a very recent phenomenon, historically speaking, and emerge and grow in relation to the development of the forces of production. Furthermore, because production and exchange often vary from country to country and from generation

to generation, “Political economy is therefore essentially a historical science” (p. 104). No mode of production lasts forever. Everything contains its own negation and is in a constant process of *becoming* (Malott and Ford 2015).

Under capitalism, the highest development of commodity production, products are produced mainly for exchange and profit, not for meeting social needs. If something is not profitable, it will not be produced, regardless of whether society needs it or not. A commodity is anything that can be bought and sold. Under advanced commodity production, society coordinates products and exchange through the market, through the so-called invisible hand, what Marx called the law of value, which is why chaos, anarchy, and violence are ever present. Slumps and crises are endemic to such an unplanned economic system because conscious human organization of the economy is continually negated by the old capitalist relations and ideas. Production and consumption cannot be harmonized when the socialized economy is separated into privately owned competing parts. The result is perpetual crisis.

Every commodity has a use value and exchange value, which means that every commodity is simultaneously an object of utility and a bearer of value. The substance of this exchange value, abstract human labor, was discovered by Marx. Undifferentiated human labor, labor stripped of its particular useful form (e.g., weaving, baking, plowing), forms the essential content of value. “[A] commodity,” writes Carchedi (2011), “contains value, crystallised human labour in the abstract” (p. 5). In this view, all labor can be reduced to the expenditure of human brains, muscles, nerves, and limbs. No matter what it is, nothing can be produced without human energy. This capacity, as opposed to the useful forms it takes, imparts to products their value. Unlike use value, which is tangible and readily perceived, value is not something one can touch or readily observe. It can be grasped only through the power of abstraction. More than anything else, value represents the way production and exchange are organized in a particular society; it is fundamentally a *social* relation. Or,

as Carchedi (2011) puts it, “Value cannot be observed, only labour can” (p. 8).

Under capitalism, workers do not own the means of production; they lack the wherewithal to provide for their own existence and livelihood, which means that they must sell their ability to work to the capitalist, who *legally* owns the means of production. Capital (dead labor) expands only by exploiting workers (living labor), which is why workers and capitalists have opposing interests. In this setup, workers, who are the source of all value, are alienated from both the production process and the products of their labor; they have no control over the world they themselves create. From a capital-centered perspective, workers are a derogatory cost of production, a burden, and a liability. This view conceals the fact that it is owners of capital who are unproductive, superfluous, and a drain on the economy and society. It is actually the capitalist who is a liability and has no right to be (Malott and Ford 2015).

The magnitude of value is determined by the average work time required to produce something useful. It does not matter what is being produced, whether it is bread, cars, or houses – all are the products of the same common social substance: human labor power. While the use value of a commodity stems from the specific type of work one is engaged in (e.g., baking bread, manufacturing cars, building houses), its value (or exchange value) stems from the average labor time it takes to produce it. Thus, something that takes on average 10 h to produce possesses more value than something that takes on average 7 h to produce. As productivity increases, the value of a commodity falls because it can be produced faster.

Law of the Falling Rate of Profit

Building on the work of his predecessors, Marx showed that under capitalism, competition and the real threat of extinction pressure major owners of capital to constantly improve the forces of production and productivity so as to stay ahead of others and maximize profits. Regardless of

their personal values and intentions, any capitalist who becomes complacent about these inescapable pressures quickly finds themselves out of the game. This is why what a capitalist believes or intends is irrelevant; the logic of capital is decisive. You live and die by the market whether you like it or not (of course, if you are too big to fail, then you are too big to jail, and you will get an enormous financial handout from the government). New technologies, machinery, and techniques must be introduced on a continual basis in order to stay ahead. The alternative is to fall by the wayside.

However, this drive to outcompete others and seize more surplus value invariably causes the rate of profit to decline in the long run. In *The historical transience of capital*, Maito (2014) shows that since the mid-to-late 1800s, despite periods of boom and bust, the rate of profit has steadily declined in 14 major countries (including Germany, the USA, Japan, the United Kingdom, and China). The data reveal a long-term tendency to economic breakdown, showing that capitalism is not capable of infinite development. Uninterrupted extended reproduction is impossible under advanced commodity production and private ownership of the means of production. For more than a century, the torturous business cycle has ruined the lives of millions at home and abroad. Naturally, official political economy claims that anarchy and crisis are natural and inevitable and that there is no alternative to this destructive state of affairs.

Roberts (2009) explains that “when the organic composition of capital rises (i.e., the amount of capital invested in plant, machinery and equipment relative to wages and benefits to the workforce), then the rate of profit for the capitalists will eventually fall” (p. 55). As more is invested in machinery and technology (constant capital), and less on wages and salaries (variable capital), the more the rate of profit declines. Machinery cannot *add* value to products, it simply *transfers* value. Labor is the only source of profit. Only labor can add value to products. Surplus value has no other source. And since profit equals unpaid labor, the aim of the capitalist is to convert paid labor into unpaid

labor. Accordingly, if variable capital (i.e., living labor, the only source of value) is continually diminished while constant capital is continually increased, then the rate of profit (which differs from the *mass* of profit) is bound to decline.

While capitalists use many destructive ways to counter this inevitable decline in the rate of return on investments (e.g., intensifying worker exploitation, layoffs, monopolizing markets, going to war, tearing up contracts, mergers, bankruptcies, militarizing the economy, establishing state-organized pay-the-rich schemes, eliminating social programs, increasing debt, and intensifying antisocial public opinion), they cannot overcome the law itself; it is inescapable and affects the economy as a whole.

Today there are few, if any, profitable investment opportunities for major owners of capital; everything is tapped out; markets are saturated. Especially after the Great Recession of 2008, which has now turned into a long depression, all major investments have declined or stopped. The world's major economies (including India and China) are either anemic or slowing down. Stagnation is widespread. Unimpressive economic forecasts are continually revised downward, while representatives of the financial oligarchy go so far as to openly declare that we may never see the weak economic growth that preceded the Great Recession.

Capitalists are simply not investing. Traditional or typical sources of profit have largely disappeared. Instead, major owners of capital are relying increasingly on what Henry Giroux calls *casino capitalism*, or financial parasitism, to satisfy their unlimited greed. This is where the focus of the economy shifts from value creation to (real and fictitious) value appropriation. For capitalists, determining how to *redistribute* real and fictitious wealth increasingly replaces the actual *creation* of new wealth. The so-called real economy declines, while manipulation of newly created toxic and exotic fictitious financial instruments, along with trillions of dollars in *quantitative easing*, thrives. This retrogressive trend has only intensified in the neoliberal period and shows no signs of letting up.

Neoliberalism

Neo means *new* while *liberalism* refers to the economic doctrine of laissez-faire capitalism, the so-called free market. Neoliberalism refers to the *free market* in a new form. Neoliberalism is capitalism under new and different conditions, conditions which differ markedly from previous eras. And because neoliberalism is global, we may use the expression neoliberal globalization to refer to the imperialist character of globalization.

Neoliberalism is the latest iteration of capitalism; the form capitalism has taken in major economies since the late 1970s. It is a concerted attempt by the ruling circles to reverse the falling rate of profit, which takes sharp downturns at specific points in time, in this case starting around 1980. Its main components include privatization, deregulation, repression, and abdication of government responsibility for the well-being of the people. It takes the form of phony austerity programs around the world, with Greece serving as the most vivid recent example of neoliberal pillaging.

Neoliberalism entails the elimination of many social programs and social welfare state arrangements brought into being, mainly through the struggles of millions of workers, during the first and middle parts of the twentieth century. It reverses many of humanity's achievements. It continually imposes cuts in wages, salaries, benefits, pensions, unemployment insurance programs, and more, increasing insecurity and misery for millions. Parks, libraries, sanitation and administrative services, utilities, roads, water, prisons, schools, healthcare – all are being privatized at a faster rate under neoliberalism in order to reverse falling profitability. Inequality, debt, unemployment, underemployment, and poverty have reached new levels under the neoliberal antisocial offensive. None of these assaults on workers, the middle strata, the public interest, and the society could have been achieved without the increased involvement of the state on behalf of major owners of capital. Public authority and public right have essentially disappeared in the neoliberal period.

Charter Schools

Charter schools, now numbering about 6,500, are first and foremost a political-economic project that emerged squarely in the context of neoliberalism. They did not emerge before the onset of neoliberalism and have nothing to do with education reform. In fact, charter schools appeared less than ten years after the publication of the infamous 1983 *A Nation at Risk Report*, which called for the broad neoliberal restructuring of American education.

For major owners of capital, charter schools, also known as *contract* schools, represent a main way to transfer public funds, assets, and authority to the private sector so as to counter falling profitability. When a student enrolls in a charter school, public per-pupil funds, mostly state and federal, but sometimes local funds too, flow from the public school to the charter school. Annually, this drains billions of dollars from public schools, especially chronically underfunded, segregated, urban public school systems attended mostly by poor and low-income minority students. Venture philanthropists (e.g., Bill Gates), seedy lawyers and real estate developers, hedge fund managers, movie and sports celebrities, and millionaires of other stripes have all jumped on the charter school bandwagon in the context of a failing economy in order to get a piece of the nearly one-trillion-dollar public education budget. Hundreds of millions more in public funds come from the federal Charter Schools Program launched in 1994.

Currently, 44 % of all charter school students in the USA are enrolled in a school owned and operated by an education management organization (EMO) (Miron and Gulosino 2013). The real figure is likely higher. EMOs are essentially privatized for-profit organizations. However, it does not matter if we are talking about for-profit or nonprofit charter schools though because both engage in for-profit arrangements and both embrace the free market and competition (winning and losing). Their contractual nature makes this possible. Contract schools stand *outside* long-standing governance arrangements in American public education and make

privatization and marketization possible by operationalizing the public-to-private transfer of wealth and authority. Oman (2011) notes that a “Contract is the quintessential legal institution of a market economy” (p. 1). Contracts codify and legitimize exchange relations under advanced commodity production.

The core error with this approach is that education is not a commodity. Education is not a business. It cannot be bought and sold like beef jerky or chewing tobacco. Schools cannot be opened and closed like a shoe store. Students, parents, and teachers are not consumers or products. Education is a basic human responsibility that a modern society must guarantee so that society moves forward. To subject education to the chaos, anarchy, and violence of the free market is irresponsible and profoundly counterproductive. It ensures constant instability and upheaval – hardly good conditions for teaching and learning. This is why teacher, student, and principal turnover rates are very high in charter schools (Miron and Applegate 2007; [Stuit and Smith 2009](#)). It is also why 88 % of charter schools are not unionized (National Alliance for Public Charter Schools 2010) and many, if not most, practice selective enrollment patterns that contribute to an already segregated school system (Rotberg 2014) and skewed results on curriculum-narrowing high-stakes standardized tests produced by a handful of for-profit companies. For extensive information on unethical and illegal activities in charter schools across the country, see *Charter School Scandals* at <http://charterschoolscandals.blogspot.com>. For their part, Baker (2012), Green and Mead (2004), Karp (2012), Lubienski and Lubienski (2014), Saltman (2010), and others have shown why charter schools are not public schools.

The Way Forward

There can be no progress so long as the government serves major owners of capital and tramples on people’s rights. The government must restrict monopoly right and take up its responsibility to provide human rights, including the right to

education, with a guarantee. Choice in education means removing government responsibility for education and subjecting it to the violence of the free market in the name of providing opportunities to poor and low-income minority students. It is the opposite of what is needed.

As part of a modern nation-building project, the government must fully fund a high-quality public education system open to all. It must also provide the rights to food, shelter, clothing, healthcare, pensions, and work with a guarantee. Rights belong to humans by virtue of their being and for no other reason whatsoever. Rights are not privileges. They cannot be given or taken away and are not based on competition, contracts, ability, wealth, race, sex, language, religion, or national origin. Human needs are not negotiable and cannot be reduced to a matter of policy.

In order for education, healthcare, work, and more to be guaranteed for all, the people must have control over the socialized economy. So long as the socialized economy remains in the hands of the top one percent, uneven development, instability, slumps, crises, chaos, and anarchy will increase. Millions will suffer unnecessarily and things will continue to go from bad to worse. This is why the fight for political empowerment is paramount. The right of the people to govern and decide their own affairs, including economic affairs, is critical. Workers and all progressive forces must deprive owners of capital of their ability to deprive everyone else of their rights.

Workers themselves must decide what is produced and consumed, as well as when and where it is produced and consumed. All the main sectors of the economy must be controlled by the people. Private interests that seek to distort and extort the economy cannot be tolerated. The economy must be oriented to increase the material and cultural well-being of all instead of serving the narrow private interests of a tiny ruling elite. The contradictions between socialized production and private ownership, mental and manual labor, and use value and exchange value must all be overcome so as to develop society and the economy in an all-sided, conscious, and planned manner.

Anarchy in production and exchange is inconsistent with modern requirements.

Only under such conditions will education be fully funded, high quality, and open to all. With people in control of their livelihoods and destiny, no longer will there be a need for charter schools and other school-choice schemes that purport to serve students and society but really enrich a handful of capitalists. The problem is not one of money because there is an overabundance of resources in society. The issue is: *who decides?* The financial oligarchy is unwilling and unable to use the social product to serve the public interest and advance society. It is fully committed to the neoliberal agenda. Only the working class and people can provide a new direction for society, an alternative to the existing society and the outmoded system it is based on.

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