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Introduction

The deregulation of financial flows, the interconnection of markets, and the creation of financial innovations and investment funds characterize the process of "financialisation" in flow since the 1970s. In line with these dynamics, higher education has become an object of intense interest to global capital, most noticeably in the US and certain countries in Latin America and Asia.

This paper analyses the processes of financialisation and their implications for the higher education sector in the context of Brazil and the USA, focusing specifically on for-profit institutions. These countries have been selected as both have been characterised by a rapid expansion in for-profit provision, as well as by the entry of corporate-holding companies and private equity firms in the higher education sector (in the USA from the 1990s, and in Brazil since 2007). While there are some existing analyses (e.g. Eaton et al. 2016) this important topic is yet to receive significant academic attention.

The study draws on documentary analysis and descriptive statistics: in the US case, the Integrated Postsecondary Education Data System (IPEDS) from the National Center for Education Statistics (NCES), and in the Brazilian case, information obtained from Brazilian Association of Equity and Venture Capital and the São Paulo Stock Exchange.

This paper is divided into two parts. In the first part, we will map the different meanings of financialisation, and how this concept is applied in US private higher education. In the second part, we will analyse financialisation in Brazilian higher education, utilising the juxtaposition to generate insights into the impacts of these processes on the sector.

The notion of financialisation and the US case

Despite the usage of a common terminology, financialisation covers a host of empirical phenomena at different levels of analysis (Zwan 2014 p. 101). Financialisation, at its most basic level, relates to the increasing use of financial transactions to allocate capital. In this work, we consider financialisation in the modern corporation as the emergence of shareholder value as the main guiding principle of corporate behaviour (cf. Rappaport, 1986 apud Zwan 2014). Shareholder value refers to the idea that the primary purpose of the corporation is to make profit for its shareholders (Zwan 2014 p.102). Corporate efficiency is thereby redefined as the ability to maximise dividends and keep stock prices high.

Business practices include the introduction of financial performance measures such as return on equity, the adoption of international accounting standards, and a short-term business outlook. These practices have been accompanied by mergers and acquisitions.

The financial gains from these operations are not reinvested, but rather are distributed to shareholders.

In the US, scholars generally agree that the enrichment of shareholders and managers has been at the detriment of workers' wages and benefits. Corporate restructuring activities in the name of shareholder value have been associated with job losses and other cutbacks (Lazonick and O'Sullivan, 2000).

Eaton et al (2016) consider four types of transactions as financialisation in US higher education: revenues from endowment investments; interest payments on institutional borrowing by colleges; profits extracted by investors in for-profit colleges and interest payments on student loan borrowing by households. The authors find large relative growth in the real value of costs and returns for all four of the major higher education financial transactions. In the US, for-profit colleges with capital from equity markets quintupled their annual operating profit margins from $1 billion to $5 billion.

The Brazilian case

Financialisation in Brazilian private higher education can be observed in two different movements: the acquisitions carried out by private equity funds and the opening of capital of educational companies (initial public offerings – IPOs) on the Brazilian stock exchange. It therefore relates to the third type of higher education financialisation identified by Eaton et al. (2016).

The private equity funds are able to inject large sums of resources into educational businesses through closed groups of large (national and international) speculators, through the requirement of restructuring based on cost reduction, administrative rationalization, and professionalism of management (Oliveira 2009), and mainly in the adoption of the principles of corporate governance.

Since 2007, five educational companies have been listed on the Brazilian stock exchange. Five years later, two groups have become part of the Bovespa index, which is the equivalent of the Dow Jones in the USA and FTSE in the UK. The Kroton group has traded American Depositary Receipts (ADRs) on the New York stock market, thereby facilitating access to foreign investors.

Brazil is now credited with the largest higher education company in the world, Kroton-Anhanguera. It has more than 1 million students in a combination of face to face and distance learners, holding 16.5% of the market share and 45% of all distance learning enrolments.

Raising funds through the capital market, either through specific funds or the launching of shares on a stock exchange, allows the time-intensive capitalization of resources to subsidize the acquisitions and mergers, aiming at large-scale growth.

It becomes relevant to analyse the implications of the emergence of this new model of educational company. According to Carvalho (2013), these two financial instruments establish the management's commitment to the interests of shareholders. This means that the company's goals transcend profit maximization, once they are subordinated to the maximization of shareholder value in the capital market.

There is no control over the source of capital funds. Private equity funds and application in shares permit that ownership is spread further and allow corporate concentration of speculators and foreign companies.

Conclusion

The financial market influences and capital concentration in Brazilian higher education are central elements in the analysis of the limits and possibilities of education policy. Given that the Brazilian Ministry of Education does not regulate the concentration of capital in education (it is the responsibility is CADE, an agency that authorizes mergers and acquisitions), the threats to the sector are plain to see.

Financialisation in higher education prioritises short-term results, thereby having an inevitable negative impact on educational quality and equality of opportunity in both countries. Finally, implications are drawn out for trends in higher education at the global level.

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