

## THE AGENTS OF EDUCATION MARKET

ADRIAN MĂCRIȘ, MARIA MĂCRIȘ\*

**ABSTRACT:** *The hereby paper is grounded upon an approach that considers education from the point of view of market economy adapted to the demands and the specific character of the educational system. Under such circumstances, we have drawn out this study through which we have elaborated an analysis of the main market components of the educational system. At the same time, due to the particular traits of the education market, we have displayed the part, influence, and action detained by each of this market's agents.*

**KEY WORDS:** *education market; educational services; educational capital; beneficiaries; customers; buyers-sellers; bidders.*

**JEL CLASSIFICATION:** *B21; B22; I21; I29.*

### 1. INTRODUCTION

Economic science includes various definitions of market; each of them focuses upon certain elements or/and certain processes that represent the complex phenomenon of market. Among them we are going to stress in the hereby analysis a classical definition according to which “market is the meeting point of *economic agents* that are divided into two large categories: *buyers* and *sellers*”; let’s also notice that on the same market and within the same action (selling-buying) an agent can only play a sole part, either that of seller or that of buyer. On the *economic* goods and services market, especially on the *private* goods and services market, the two agents as well as the two positions they detain may be easily identified: the buyer is *the one who pays the price* of the goods and services, irrespective of their subsequent destination while the seller is *the one who gets the price* of the goods and services, irrespective of the fact that he/she is (also) the producer or only an intermediary (Măcriș, 2009, pp.15-17).

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\* *Ph.D., Accountant-in-chief, University of Petrosani, Romania, [macris\\_adrian@yahoo.com](mailto:macris_adrian@yahoo.com)  
Lecturer, Ph.D., University of Petrosani, Romania, [mariamacris2011@yahoo.com](mailto:mariamacris2011@yahoo.com)*

On the market of educational goods and services and, especially when these goods and services have a *public* (not private) character, things get complicated: educational goods and services are not always bought (sometimes they are obtained for free), the agent who buys is not always the consumer of the good, yet he/she should be, in one manner or another, the beneficiary of the good he/she bought, etc.

Similar issues concern the definition of *sellers*. *In case of tax education*, a seller is quite obvious: namely, the institution that perceives taxes in order to matriculate certain persons sells its services to buyers, that are also easily identifiable, in exchange of a price (school taxes). *In case of free education*, a seller is not so easily identifiable. Under such circumstances, educational establishments mostly appear to be educational services bidders or suppliers and not sellers according to the strict meaning of the term. The fact that education is free does not mean that it has no costs and that nobody sells and pays. In case we consider that the State (at a central level or/and through local administrations) is the one that provides free education (owing to direct financing or subsidies), then it could be considered as a sort of *intermediary agent*, buyer-seller, that first buys (pays) educational services which it subsequently re-sells, namely distributes for free to its citizens (Măcriș & Măcriș, 2009, p.181). In case we consider the main source of incomes the State employs in order to finance education (taxes paid by citizens), then we should notice that the buyer is the citizen who pays taxes although he/she does not directly decide upon the price and quality of the good he/she bought nor upon the manner such a good is used.

## 2. BENEFICIARIES, CUSTOMERS, BUYERS

When one attempts to approach education through market economy, the first obstacle to be surpassed regards terminology. The taking over of certain terms such as: customer, buyer, seller, consumer, etc., is considered to be inappropriate or even degrading for the noble character of education, for the kind of values and inter-human relationships that belong to the field of education. Nevertheless, the economic *connotation* of such terms is not doubted, but rather their subjective and contextual *connotation* that comes out of associating those terms with a mercantile, commercial vision upon education.

Yet, difficulties not only regard terminology; they also exhibit an essential character as the reality of education is not entirely accessible for the economic paradigm of analysis. In case we have in view the hypostasis of *buyer* within the relation selling-buying, the difficulty is given by the extreme diversity of the agents that may come out at a certain moment and under certain circumstances within such a hypostasis (pupils, students, parents, companies, institutions, etc.).

Another difficulty is determined by the fact that such a hypostasis may be either entirely detained, along all its segments (customer, buyer, and beneficiary) or partly detained (for instance, only beneficiaries and not buyers or customers). Accordingly, for the student who pays school taxes out of his/her own resources the quality of *buyer* is quite obvious: for him/her, those taxes represent the price he or she pays for the educational services he/she wants. In case of the 1st form child, the quality of buyer is entirely inappropriate: first, because he/she cannot be a direct buyer but

only a beneficiary for whom others pay (parents, tutors, the State, etc.). Out of the terms proposed by the title of the hereby paragraph (beneficiaries, customers, buyers), the most inclusive is the term of **beneficiary** due to the fact that the getting of the quality of beneficiary is not compulsory determined by playing the parts of customer or/and buyer. Then follow, according to the degree of inclusiveness, the terms of *customer* and *buyer*.

Being the most concrete and specific, the hypostasis of **buyer** is quite easily identifiable: the buyer is *the one who pays the price of the acquired educational goods*, irrespective of the fact that he/she is or is not the direct beneficiary of these goods and irrespective of the subsequent use he/she gives to them. Certain difficulties may come out while analyzing the quality of buyer according to the two components of educational goods. In case of *educational services*, things are quite simple: the buyer is the one who pays the price (cost) of these services. Although, as a rule, the quality of direct or indirect beneficiary is present, nevertheless it is not compulsory (for instance, the sponsor who pays educational services may not be interested at all in having a benefit from the educational capital resulting out of the services he/she paid). In case of *educational capital*, the buyer should be, as a rule, the employer or the entity that uses, in one way or another, this capital. Yet, under such circumstances, the buying relation does not anymore occur in connection with the agent that produced the educational services (the educational unit) but in connection with the owner of the educational capital (the graduate); at the same time, the employer (buyer) may get the educational product at a smaller price than the normal one, accordingly having benefits from the positive externalities of education without contributing to its financing. It is quite obvious that the issue does not regard the owner of the educational capital who got this capital through paying his/her educational services. Nevertheless, the issue is quite evident when the educational capital has been acquired without a proper counter-benefit as well as in all circumstances when there is dissociation among the one who pays the educational services, the one who gets the educational capital owing to such services, and the one who buys educational capital.

The hypostasis of **customer** is more inclusive than that of buyer, mainly due to the fact that the category of customers includes both present buyers and potential buyers. The quality of customer does not regard a specific producer but a specific product, the only viable behavior of producers (bidders) being to attract customers out of the potential ones and to transform them in present buyers. The market of educational services displays a similar condition. The category of customers is more inclusive due to the fact that it is also more diverse. The customers may only be the beneficiaries of the educational product and not its buyers. Accordingly, one may draw out a classification of the customers of the educational product that includes three categories (Marinescu, 2001, p.110):

- **Primary customers** are those who learn and represent the main beneficiaries of the educational product; they also become its most important components, namely the human educational capital (Pribac, 2011);
- **Secondary customers** include the parents, local and central administrations, various sponsors, being a category of customers that do not play a direct part in financing the educational product.

▪ **Tertiary customers** that include the future users (beneficiaries) of the labor that graduates represent; they are not directly involved in the carrying out of the educational process so that they do not represent real customers. The quality of tertiary customers is indirectly acquired through comparison with the owners of the educational human capital (the graduates) with whom they establish relationships on the labor market.

As regards the above classification, let's notice that the third category is rather a category of beneficiaries and not one of customers due to the fact that it does not directly address to the school unit, it does not appear as its customers nor does it directly contribute to the covering of the costs of educational services. This category may be included within the category of secondary customers when it finances (through scholarships or other forms) the education of those whose educational capital they are going to use.

As previously shown, the hypostasis of **beneficiary** is more inclusive due to the fact that it includes all those who have benefits from educational goods, in case of the two components (educational services and educational capital), irrespective of the fact that they are buyers or/and customers. It is quite obvious that the category of those who benefit from education is extremely diverse; it may include natural persons, institutions, administrations, companies, foundations, etc. as well as the social community as a whole. Nevertheless, such diversity may admit certain delimitation between the direct beneficiaries and the indirect beneficiaries of educational services; accordingly:

▪ **Direct beneficiaries** mainly include those who directly “consume” educational services and who gain an educational human capital: *students* and their *families*. At the same time, *social community* may also be a direct beneficiary to the extent to which it shows a specific interest in the education of its members and is willing (capable) to financially, materially, and humanly support educational services. Direct beneficiaries may also include *the companies, institutions, and organizations* that financially support educational services and use the educational capital they determine.

▪ **Indirect beneficiaries** are identified and located more difficultly due to the extremely diverse and hard to be evaluated effects education has upon individuals, social organizations, and society as a whole. Generally speaking, one may consider as indirect beneficiaries all those who benefit from the positive externalizations of education without directly contributing to its carrying out. For instance, social community may be considered an indirect beneficiary of the educational human capital acquired by those of its members who have financed their educational services out of private funds (and not out of public funds). Indirect beneficiaries may also appear under the circumstances of proximity (neighborhood) relations to the extent to which living in the presence of well educated persons represents a benefit that does not come out of a direct and personal effort. An important category of indirect beneficiaries is that of those who benefit from a component of the educational product (educational capital) without taking part, in one way or another, to the other component (educational services).

### 3. PRODUCERS, BIDDERS, SELLERS

The characteristics of education market not only emphasize several hypostases of the quality of buyer, as we have already shown in the previous paragraphs, but also an even larger number of hypostases of the quality of seller. Education market cannot be perceived according to the terms of a strict sell-and-buy relation, at least due to the fact that neither education costs nor its incomes always appear as money; moreover, it is quite usual not to be able to rigorously determine a monetary equivalent of educational services or of educational capital. Consequently, price, though present within various “transactions”, is not the sole mediator of the relation between demand and offer; as regards another aspect, price is not the only form through which educational goods “circulate” from those who produce them to those who are their beneficiaries. Accordingly, the quality of offer bearer does not always strictly match the quality of buyer; it may be quite often designated by the terms of bidder or/and producer.

Obviously, the quality of *seller* is, due to its concreteness, easily identifiable. A seller is no matter what *agent* – natural person (teacher), formal educational institution (school, university) or non-formal educational institution (clubs, cultural centers, etc.), foundations or associations – that *sells* educational services at a certain price which, as a rule, means *school taxes*, to certain *buyers* who are willing to pay that price for those services. Such sell-and-buy relations operate within an important segment of educational services market that functions, to a large extent, similarly to the economic goods and services market. The phenomenon of private lessons is typical for the sell-and-buy relation of educational services. Under such circumstances, prices are the result, to a large extent, of market conditions; even a conventional measuring unit of the amount of educational services is accordingly settled – *a course hour*.

In case of the educational units that perceive school taxes, we may further talk about a sell-and-buy relation, although we should analyze to what extent school taxes can be assimilated with prices according to the economic meaning of the term. It is possible that such taxes rather behave as the costs of educational services their beneficiaries pay as a co-participation in supporting educational services under the circumstances of partnership relations stipulated by a contract that mentions the rights and obligations of the parts. In such a case, the quality of seller, respectively buyer, is no more so evident and the relations between the institution that offers the services and the beneficiary they address to no more strictly match the sell-and-buy relations (Vaideanu, G., 1998. p 96).

Accordingly, one may raise the following issue: to what extent is price (school taxes) determined by the “principles of market economy”, namely based on a manner which, on the one side, should show the costs afferent to educational services and, on the other one, should display the existing relation between demand and offer, at a certain moment. In economic terms, this issue can be formulated as follows: is there a *balance price* on the market of educational services, namely a price for which the amount of the services sold is maximum or, in other words, a price where demand and offer are balanced at the level of the maximum amount of services sold and bought on the market? In case the mechanism of balance price would function then when prices

(taxes) increase we should witness both a tendency towards offer increase, on the one hand, and a tendency towards demand decrease, on the other hand. Inversely, a decrease of prices (taxes) should determine a tendency towards offer decrease and demand increase; also, the aggregation of these mechanisms should determine a permanent tendency of taxes to come closer to a balance price.

Nevertheless, in fact, things are a bit more intricate and do not occur in strict concordance with these mechanisms. For instance, a university may have high level taxes or may increase them from one year to another, a fact that does not determine the decrease of the demand (number of candidates). Inversely, another university may have smaller taxes or may decrease them, a fact that does not determine the increase of the demand of education. In both cases, the maximum amount of services sold (and bought) does not match a balance price but several prices which are settled under the specific circumstances of the relation between the educational unit and the demand segment that addresses to it. Accordingly, certain factors are involved determining the price not to be directly dictated by the market. For instance, a high level tax may be perceived as a quality signal of the offered services and may determine, paradoxically, an increase of demand while a low tax may be perceived as a poor quality signal of the services and determine a decrease of demand.

The mechanism of balance price does not fully function on education market also due to the fact that on this market prices' dynamics is not guided and does not come out towards increasing the amount of sold services; in other words, real price is not always settled at the level demand and offer match the maximum amount of services sold and bought on the market. Such things happen due to the fact that both offer and demand can be restricted owing to the intended or spontaneous intervening of certain factors that do not directly belong to the market. For instance, a university may maintain high level school taxes in case the number of students it needs is smaller than the number of candidates that address to it. Moreover, it may implement a strategy of qualitative selection of its candidates even while practicing high taxes as it is not interested in a balance price at which the amount of sold services is at its maximum. Inversely, under different circumstances, another university may be interested in increasing the number of students, implementing a low taxes strategy which nevertheless does not determine the increase of the number of candidates due to certain factors that restrict the absolute level of school demand beyond which not even free school is going to determine an increase of the number of candidates.

Due to the characteristics of educational market, the term *bidder* seems to render more adequately the statute of the educational unit in relation with its beneficiaries mainly because this quality does not necessarily involve prices, namely it does not involve a strict act of selling though it does not exclude it. Obviously, the range of bidders is even larger than that of those who sell educational services. It includes those educational institutions that offer State subsidized (free) educational services, irrespective of their level and specialization, as well as any other form of financing that does not determine beneficiaries to bear direct costs. At the same time, the term bidder seems more adequate in order to designate the special character of the relation between the one who offers and the one who benefits from educational

services, a relation that implies the direct interest and cooperation of the beneficiary in “producing” educational services.

The use of the term *producer* of educational services targets the clearing up of two aspects. First, this term emphasizes the feature of educational goods as well as of educational services of being *products* meaning that their coming out implies, on the one hand, *efforts and costs* (as educational goods are not “free goods”) and, on the other one, a minimal (optimal) *specialization and professionalization* of those who produce them. Secondly, the term of producer designates those who effectively produce educational services in order to delineate them, when necessary, from those who offer or sell these services. There are indeed numberless occasions when the one who offers educational services is not their direct producer. For instance, a labor employment agency may offer to those who are interested services of professional reconversion which it does not directly produce, but which it acquires from a specialized training institution. To a certain extent, this dissociation also exists in case of compulsory general education and of other forms of education financed and organized by the State, meaning that schools are the *producers* of educational services, but *do not entirely meet the quality of bidders* (neither that of sellers) of such services (Marinescu, 2001, p.113).

The hypostases of seller, bidder or producer, with their previously displayed characteristics, were related with one of the components of the educational product, namely with educational services. Let’s see further what happens with the other component: *educational human capital*. In case we refer to the relation between the bidder and the beneficiary then none of the two agents is *by itself* (and cannot be) a producer of educational capital. Obviously, educational capital is the result of a co-production, the quality of the product simultaneously relying upon the quality of educational services and upon the characteristics of the beneficiary (pupil, student) of these services as regards the physical and psychical capacities, the motivation and capacity of learning, other objective or/and subjective factors that influence the learning process and, especially, the relation between the teaching process and the learning process. There are also cases when the institution that gives educational services imposes certain selection criteria of the beneficiaries (pupils or students), a fact that may provide a more direct relation between the amount and the quality of the teaching and the amount and quality of learning; nevertheless, in such cases, too, the beneficiary’s contribution is still important. Briefly, the term producer is improper in case of educational capital. The other two terms (*bidder, seller*) may be used, though according to the context. For instance, the graduate who paid himself/herself his/her education, being a direct owner of the educational capital acquired, may be considered as a bidder or even as a seller of this capital on labor market. At the same time, a company that finances, according to a contract, the education of certain pupils and students or that is specialized in carrying out training programs, may be considered as an educational capital bidder to the extent to which it is able to impose certain conditions to the graduates who benefitted from their education financing and to the employers who benefit from the services of such graduates.

#### 4. CONCLUSION

The previous analysis carried out with regard to the issue of educational capital has determined the following solution, namely: educational goods should not be sold and bought “as spare parts”, but as a whole (services + capital), a fact implying that the one who pays the educational services is also the beneficiary of the educational capital that results or that the beneficiary of the educational capital is also the one who pays the educational services. In case of educational institutions and, generally, in case of the bidder (producer) of educational services, the issue is not as intricate. In fact, the buyer is the one who directly pays the educational services and the behavior of the educational unit should adapt to his/her exigencies according to certain relations of quality/price, demand/offer basically existing on no matter what type of market.

Nevertheless, in all cases, one should also take into account the fact that, owing to its nature, educational human capital cannot be dissociated from the personalities of those due to whom it exists and that these personalities, bearers of the educational capital, cannot be offered or sold as common “goods”. Liberty as an attribute of the human being should be paid respect although, within a market economy, even liberty costs and may be gained or preserved at a certain price.

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