

# Research on the Phenomenon and Normalisation of the Disorderly Expansion of Capital in the Education and Training Industry

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## Abstract

The legitimacy of restricting the disorderly expansion of capital lies in adhering to the public welfare of education. The governance of the disorderly expansion of capital in education and training industry still faces the problems of weak legislation, unclear regulatory authority and responsibility, and unclear bottom line of access to capital. The legislature needs to emphasise the public welfare of education and training in the legislative purpose and integrate the existing norms for special legislation in education and training industry. The competent administrative department needs to clarify the regulatory authority, strengthen the regulatory power, and create a “negative list” for the access to education and training capital.

**Keywords:** education and training industry, disorderly expansion of capital, normalisation

## 1. Introduction

In July 2021, the General Office of the CPC Central Committee and the General Office of the State Council issued the “double reduction” notice, which prohibited the capitalisation of the education and training industry. In March 2022, the *Opinions on Accelerating the Construction of a Unified National Market* pointed out that “traffic lights should be set for capital to prevent the disorderly expansion of capital.” These documents emphasise restricting the expansion of education and training capital. The paper combs the phenomenon and influence of the disorderly expansion of capital in the education and training industry, points out its governance dilemma and makes suggestions.

## 2. The Phenomenon and Influence of the Disorderly Expansion of Capital in the Education and Training Industry

### 2.1 The Phenomenon of the Disorderly Expansion of Capital in the Education and Training Industry

The disorderly expansion of capital in the education and training industry has three major phenomena: rapid growth in the number of institutions, accelerated capital expansion of financing and listing and distorting industry marketing. First, the number of education and training institutions has grown rapidly. In the first half of 2020, more than 200,000 education and training enterprises were added nationwide. Second, financing and listing accelerate capital expansion. In the first half of 2021, 65 education and training enterprises were listed overseas. Third, industry marketing is distorted. There are false propaganda phenomena such as false teachers’ resumes and misrepresentation of the original course prices.

### 2.2 The Influence of the Disorderly Expansion of Capital in the Education and Training Industry

The disorderly expansion of capital in the education and training industry has had a negative impact on students and families, the education and training industry, and society to varying degrees.

#### 2.2.1 Harm Students’ Mental Health and Cause Family Financial Burden

Capital uses the “peer effect” to stimulate training demand, forcing students who do not want to participate in

off-campus training to do so, resulting in serious learning anxiety. Meanwhile, the cost of education and training brings a heavy economic burden to families. According to the statistics in 2017, the annual expenditure per child involved in education and training was RMB 5,616 (Wei Yi & Xue Haiping, 2019).

### 2.2.2 Impact on the Ecology of the Education and Training Industry and Lack of Educational Feelings

Education and training capital controls the voice of the industry. It uses marketing methods such as propaganda to raise the price of education and training services. Therefore, price changes are transmitted from top to bottom, distorting the industry ecology, and transforming education into a commodity with clear prices, which erodes the educational feelings of preaching and teaching.

### 2.2.3 Monger Educational Anxiety and Promote Unscientific Education Evaluation Orientation

All education and training institutions choose “scores” and “achievement” as propaganda slogans, implying that “good grades are the only way to have a good future”. In society, there is an unhealthy trend of “surrounding scores, enrollment rates, academic diplomas” education, which has aggravated social educational anxiety and promoted the education evaluation orientation of the only concern of scores.

## 3. The Legitimacy of Restricting the Disorderly Expansion of Capital in the Education and Training Industry: Adhering to the Public Welfare of Education

In order to eliminate the adverse effects of the disorderly expansion of capital, the administrative department has further governed the education and training industry through the “double reduction” policy. The ultimate goal of governing chaos is to restrict the disorderly expansion of capital in the education and training industry. Hence, it is necessary to clarify the legitimacy of restricting the disorderly expansion of capital.

### 3.1 The Public Welfare of Education

Education is an important part of the basic public services system and is subordinate to the core value of public service welfare. Article 8 of the *Education Law of the People's Republic of China* stipulates that “education activities shall be in the benefit of public interests of the state and the society.” Article 3 of the *Non-state Education Promotion Law of the People's Republic of China* stipulates that “non-state education is a public undertaking. It is a part of the socialist education undertakings.” These declaratory provisions point out the public welfare of education.

### 3.2 The Path of the Disorderly Expansion of Capital in the Education and Training Industry

Education and training capital achieves disorderly expansion by creating education and training demand (Ma Jiansheng & Liu Yunhua, 2022). First, capital enters the education and training industry to attract talents and gather resources and create a wide range of education and training products. Second, capital cultivates a value orientation appropriate for capital increment (Guo Wei & Li Zehao, 2022) by inculcating a specific discourse (Ma Jiansheng & Liu Yunhua, 2021) to the public, peddling education and training products to the public, and converting supply into profits. Third, the initial accumulation of education and training capital is completed, converting training profits into virtual capital for further expansion in the financial field. Through the above path, capital controls the voice of the education and training industry and even education. It gains profits by creating demand for education and training and guiding the public to consume education and training services. Commercialised education and training services deviate from the public welfare of education.

### 3.3 The Disorderly Expansion of Capital in the Education and Training Industry Comes at the Expense of the Public Welfare of Education

Education is an important way to redistribute social resources. Education equity is an important foundation for social equity. Education equity is not only reflected in equal access to education, but also the quality of education. Suppose there is no restriction on the expansion of capital in the education and training industry. In that case, education will be privatised by capital and become a private product for the “highest bidder”, distorting the essence of equity and inclusive education. Children from families with high-income levels enjoy better educational resources. They are more likely to win the educational competition and pass this advantage from generation to generation; on the contrary, children from low-income families are more likely to have intergenerational education poverty, which in turn solidifies class and causes social injustice.

To sum up, it is legitimate to restrict the disorderly expansion of capital in the education and training industry at the expense of the public welfare of education.

## 4. The Status Quo and Dilemma of Restricting the Disorderly Expansion of Capital in the Education and Training Industry

### 4.1 The Status Quo of Restricting the Disorderly Expansion of Capital in the Education and Training Industry

As shown in the following table (Table 1), the “double reduction” policy has played a certain role in restricting the disorderly expansion of education and training capital from approval and establishment, charging standards

and advertising. First, governments will no longer approve new compulsory education academic institutions, blocking the entrance of capital into academic education and training. Second, the ban on advertising prevents capital from controlling the voice. Third, the restriction of institutional prepaid tutoring fees reduces the circulating capital and interrupts the capital expansion path of industrial capital converting into virtual capital. These measures prove that the administrative department is aware of the path and drawbacks of the disorderly expansion of capital in the process of governance and adopt specific measures to curb it.

Table 1. Some normative documents on the governance of education and training industry

Item	Legal Hierarchy	Document Name	Content
Approval and Establishment	General Normative Documents	<i>Opinions on Further Reducing Students' Homework Burden and After-School Tutoring Burden in Compulsory Education</i>	Local governments will no longer approve new off-campus training institutions for students at the compulsory education stage.
Advertising	Law	<i>Advertising Law of the People's Republic of China</i>	Article 24 stipulates that advertisements on education or training shall not contain such content as the guarantee of the results of education or training.
	General Normative Documents	<i>Notice on Management and Control of Advertisements for Off-campus Training Institutions</i>	Off-campus training advertisements for primary and secondary schools (including kindergartens) will not be published or broadcast in online and offline platforms.
Prepaid Tutoring Fees	General Normative Documents	<i>Notice on Strengthening the Regulation of Prepaid Tutoring Fees of Off-Campus Training Institutions</i>	Off-campus training shall not be charged for more than 3 months or 60 class hours at a time.

#### 4.2 The Dilemma of Restricting the Disorderly Expansion of Capital in the Education and Training Industry

##### 4.2.1 Weak Current Laws and Regulations

There are some problems in the legislation of education and training industry, such as low normative effectiveness hierarchy and excessive quantity. From the perspective of effectiveness hierarchy, the existing norms of education and training institutions are mainly departmental working documents such as “measures” and “notices”, which have a low effectiveness hierarchy and the number is excessive. There are 38 general normative documents about “off-campus training” on the [pkulaw.cn](http://pkulaw.cn), which comprehensively regulate the education and training institutions in terms of charging standards, prepaid regulation, security inspection, contract conclusion, administrative law enforcement, training material editing, advertising control, etc. However, the decentralised norms bring many inconveniences to law enforcement and compliance.

##### 4.2.2 Unclear Administrative Regulation Authority

Strong administrative regulation is indispensable to restrict the disorderly expansion of capital, but double obstacles have emerged in law enforcement practice. First, administrative regulation's boundary is unclear, making it difficult to effectively control minimally censored behaviors such as “variation of education and training”. Second, the law enforcement force of the education department is weak, and regulation and law enforcement have long relied on comprehensive law enforcement departments. In the daily supervision, the education and training institutions continued to operate just after the education department delivered the notice of rectification order, which is hard to achieve normalized regulation.

##### 4.2.3 Unclear Bottom Line of Access to the Education and Training Industry

In the governance of the disorderly expansion of capital in the education and training industry, a large number of education and training institutions went bankrupt, and employees lost their jobs and other governance pains. Analysing the reasons for this, it is easy to see that the governance pains mainly come from the failure of institutions and practitioners to foresee the governance risks of the industry. There are many subdivisions of the education and training industry. The existing policies fail to define the bottom line of access to non-academic education and training, which makes social production factors such as talents and capital cautious about entering the education and training industry. Hence, it is not conducive to the long-term and orderly development of the

education and training industry.

## **5. Normative System for Restricting the Disorderly Expansion of Capital in the Education and Training Industry**

### *5.1 Clarify the Legislative Purpose and Carry out Special Legislation*

The education and training industry needs to improve legislation. First, in terms of legislative purpose, the public welfare of education and training should be emphasised to reveal the legitimacy of restricting the disorderly expansion of capital. Second, in terms of legislative mode, the special legislative mode is adopted. The authorities with power can integrate the existing normative documents and formulate an administrative regulation or departmental rules of the education and training industry in terms of establishment, teacher qualification, teaching content, the conclusion of education and training contracts, charging standards, prepaid management, etc., so as to clarify the illegal responsibilities of the education and training institutions.

### *5.2 Clarify the Regulatory Authority and Strengthen the Regulatory Power*

All departments should clarify the governance authority based on the principle of “who approves that, who is responsible” to avoid the duplication of authority and responsibility. The education department should act as the lead department and strengthen joint law enforcement with the market regulation department and other departments. Second, local people’s governments can set up special education and training regulatory institutions, train professional education law enforcement teams, and conduct work guidance and law enforcement according to the regulation of the off-campus education and training regulation department.

### *5.3 Create a “Negative List” and Set up a “Traffic Light” for Education and Training Capital*

The competent administrative department shall set up a “traffic light” for the education and training capital and define the fields and degrees that the education and training capital can enter (Zhang Jiangang, 2022). The administrative department should further subdivide the field of education and training, create a “negative list” for capital access, isolate capital from the compulsory education field that affects education equity, prudently allow capital to enter the non-academic education field, define the access standards for non-academic cultural and sports training and various types of certification training, allow education and training capital to develop in these fields in an orderly manner, and play the role of supplementing social public education resources. Thus, the measures will enhance the confidence of market entities in the education and training industry, stimulate the vitality of the market economy, and allow capital development in an orderly way.

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