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Latin America's Education Deficit

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China's decision to end its decade-old policy of pegging the Yuan to the dollar has been greeted in Latin America with enthusiasm and optimism. It is argued across the continent that a more flexible exchange rate for the Yuan will reduce China's unfair advantage in international markets. This, we are told, will make Latin America's exports of manufactured goods more competitive internationally.

But this optimism is misplaced. Despite the announced reforms, it is unlikely that there will be any *significant* exchange-rate flexibility in China's currency. Indeed, China's rulers have already stated that the new exchange-rate system will aim at maintaining currency stability. Its policy is tailored after that of Singapore, which has avoided large currency fluctuations – and has maintained a significantly more competitive exchange rate during the last three years than all of Latin America's countries.

This means that in order to compete successfully with China, Latin American countries will need to increase productivity growth. Unfortunately, the continent is not well positioned for these challenges.

The main problem is the extremely low quality of the region's educational system. According to several international educational studies conducted in recent years, Latin American countries rank at the bottom, particularly in mathematics and science.

For example, tests administered by the OECD in 2003 found that Brazilian students ranked last in mathematics among 40 countries. In the same tests, Mexico was in 37th place, while Uruguay, the highest-ranked Latin American country, came in 35th.

Latin American students performed especially poorly on the “problem solving” part of these tests. This reflects the old-fashioned nature of the region's educational systems, which still emphasize memorization and rote learning. Sadly, results are not much better in reading ability; again, the Latin American nations were at the bottom of the 40-country sample.

Similarly, according to the prestigious *Trends in International Mathematics and Science Study* (TIMSS), in 2003 Chile's eighth graders ranked 39th out of 44 countries in mathematics; in science they did only slightly better, ranking 37th. Interestingly, many countries that performed better than Chile on these standardized tests have a lower income per capita.

Latin America's educational performance is equally weak at the university level. According to a 2004 survey by *The Times of London*, not a single Latin American university is ranked among the top 200 in the world. This contrasts sharply with China and India, both of which have several world-class universities, especially in science and engineering. Thailand, Turkey, and Singapore also have first-rate universities in the sciences, including biotechnology.

If Latin America is to succeed and move towards prosperity, it needs to reform its educational system. A sustainable economic growth rate that helps reduce poverty and inequality can be achieved only with a skilled and innovative labor force.

Reforms must aim at making grade school and high school teachers accountable. In addition, paying teachers according to performance must become the norm, while ineffective teachers should be dismissed. Moreover, competitive funding for research at the university level must be increased substantially.

Implementing these reforms will require political courage and vision. In particular, politicians need to be willing to confront teachers' unions, which have traditionally resisted reforms that introduce competition and accountability.

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