Recent years have seen the strengthening of a discourse that emphasises the virtues of markets, competition and private initiative, vis-à-vis the vices of public intervention in higher education. This volume presents a timely reflection about the effects this increasing marketization has been producing in many higher education systems worldwide. The various chapters of this volume analyse the impact of markets at the system level, with significant attention being devoted to the changes in modes of regulation, the strengthening of aspects such as privatization and inter-institutional competition in higher education systems, and the closer interaction between higher education and its economic environment. Several of the contributors devote attention as well to the implications of market forces for institutional change, notably regarding issues such as mission, organizational structure and governance and the way marketization is affecting the internal distribution of power and the definition of priorities. Finally, the volume includes several chapters focusing on the different markets of higher education, such as the academic labour market, undergraduate and postgraduate education, and research markets. Altogether these chapters provide important insights concerning the many national and institutional contexts in which the marketization of higher education has been taking place around the world.
Public Vices, Private Virtues?
Public Vices, Private Virtues?

Assessing the Effects of Marketization in Higher Education

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INTRODUCTION - THE MANY FACES OF MARKETIZATION IN HIGHER EDUCATION

INTRODUCTION

Recent years have seen the strengthening of a discourse that emphasises the advantages of private forces over public ones in many sectors and the higher education realm has not been an exception to that trend. The traditional public ethos of many higher education systems and institutions has been questioned and eroded, and the political discourse has given growing visibility to the role of markets and market forces in higher education. The political and social environment in which higher education is embedded has tended to emphasise the virtues of markets, competition and private initiative, vis-à-vis the vices of public intervention in higher education.

This growing relevance of markets in higher education policy and discourse is the result of several complex factors. The so-called crisis of the welfare state has challenged the sustainability of the traditional financial reliance of higher education on public funding. Governments in almost every country have tried to contain the growth of public expenditure, an objective that is significantly difficult due to the unquenchable expansion of many components of public expenditure (Barr, 2004). Higher education has been one of these insatiable components. World-wide higher education enrolments grew steadily at the end of the 20th century (Freeman, 2010), increasing by 25.9 million between 1970–80, by 12.3 million between 1980–90, and then exploding by 79 million between 1990–2006 as social demands for access and policy makers concerns about economic competitiveness motivated the “massification” of many national systems (Trow, 2001). Consequently the rapidly expanding expenditures for higher education have become one of the potential areas for cost containment and governments have been pressed to explore mechanisms to promote savings and a more efficient use of resources.

This complex financial context has led to greater concerns with the level of external and internal efficiency of the system. Like in many other public services, it became a rather common statement that higher education institutions should be more internally efficient in their use of taxpayers’ resources. Moreover, many current policy debates involve questions about whether higher education institutions effectively produce the outcomes desired by society, what economists term the external efficiency of the system. The increase of various accountability procedures suggests that most societies have become less confident in the internal working of their universities (Levine, 2001). Thus, many governments have been devising policies trying to strengthen the (internal and external) efficiency of the higher education system appealing to the use of market forces and expecting that market stimulus will deliver a more effective and less costly higher education (Bok, 2003).
This volume presents what we hope to be a timely reflection about the effects this increasing marketization has been producing in many higher education systems worldwide. In this introductory chapter we start by tracing the historical roots of the strong economic belief that markets can be not only an adequate, but also a commendable steering mechanism for higher education. Then, we reflect about the multiple roles that market mechanisms have been called to play in higher education in recent decades. Finally, we present the contents of this volume, which illustrate the complex and multifarious effects that marketisation is having around the world in higher education.

MARKETS AND HIGHER EDUCATION - THE RETURN OF AN OLD ECONOMIC IDEA

The idea of applying market mechanisms to education in general and to higher education in particular is not new. Since the emergence of economics, or more precisely political economy, as an autonomous body of knowledge in the late eighteenth century, economists have been attracted to the subject of education, and particularly to universities. Hence, throughout the last two and a half centuries several leading figures in economics have reflected about the proper role of education, and more interestingly for contemporary economists, about the economic nature and dimensions of (higher) education. In these reflections we find the roots of most of the contemporary discourse on the applicability of markets to higher education.

Going back to the founding father of economics - Adam Smith (1723–1790), we find that, as a good disciple of the Scottish Enlightenment, he had great confidence in the power of education to mould and improve human behaviour (1976: 28–29). For Smith, education was important because it provided what modern economists would call social benefits of education. Education improved moral standards, provided individuals with subjects of thought and speculation, promoted a more peaceful character (and thus a more stable society) (1978: 540). Education also promoted a better understanding and judgement of government policies and made the lower classes less vulnerable to political intrigue and conspiracy (1976: 788).

Despite those social benefits, Adam Smith clearly favoured the role of private initiative over public ones in the provision of education, especially as regard higher education. Smith considered that higher education should essentially be treated like any other activity, to which he advocated the application of the principles of natural liberty, competition and private self-interest. In his book “An Inquiry into the causes of the Wealth of Nations” (1776), Smith took Bertrand de Mandeville’s (1988) [1714] well-known dictum of “private vices, public virtues”, according to which certain morally reproachable behaviour could produce a desirable social outcome, and turned it into an integrated system that was expected to promote wealth and prosperity. By stimulating individuals’ self-interest, through competition and greater freedom, society would lead them to deliver an allocation of resources that would correspond best to social interests. In the case of education, Smith advocated that competition stimulated rivalry and emulation, and promoted excellence (1976: 759). In contrast, public Universities were not only frequently ineffective in their teaching, but also
highly resistant to the introduction of new advances in knowledge. The privileged status of many public universities was not only harmful to those institutions, but also to private ones, since it promoted inefficiency and idleness in the former, and obstructed the development of the latter (see also 1977: 173–9).

This view that higher education would benefit from being organized according to the market principles of privatization and competition would be echoed by Classical Political Economy throughout most of the nineteenth century. This was the case even with John Stuart Mill (1806–1873), who is normally regarded as having a more benign view of government intervention, at least on certain instances. Stuart Mill similarly emphasised that education produced benefits at the individual and the social levels, as well as moral, political, and economic impacts. A more educated population increased the accountability of the political powers, promoting a better convergence of interest between the rulers and the ruled (1977: 23). Education also improved society since it promoted a more effective and prosperous community through a better awareness of individual and social purposes. It also reduced the superstition, credulity, or mistrust typically produced by ignorance, and since each educated individual influenced his fellow citizens by his example, this had an endemic effect of promoting good habits and a virtuous life.

In contrast to Smith, Stuart Mill was very critical of private institutions believing they required government intervention due to the poor quality of the education they provided. Although he thought it possible that parents could perform an effective supervision of these institutions, he considered that this was only the case if parents were solicitous and qualified judges of the merits and quality of education. The specificity of education posed major challenges to the application of the principles of the market system, due to the consumer’s inability to pay, the consumer’s inability to recognise the value of education, and their capacity of judgement on the subject. Hence, Mill recommended that the state assume a supervisory role in education, even in the case of private institutions (1988, XXI: 211). Although this state intervention in education conflicted with Stuart Mill’s principles on the limits of interference by the government and the assurance of individual liberty, he nevertheless considered that education represented an important exception in this respect.

Stuart Mill signals a change in the dominant economic view about higher education. The prevailing view was still against a major public role in higher education and that competition and private supply should play the dominant role. Moreover, and in order to promote efficiency among professors and students, the latter should contribute financially within a principle of payment by results even in public institutions. However, there was an increasing legitimacy for government intervention on certain aspects of higher education.

The turn to the twentieth century consolidated that change in the economic views about higher education. Alfred Marshall (1842–1924), arguably the most influential economist of the period, considered that education represented a source of important benefits for the individual. Thus, he argued in favour of mass general education, which would have also a major impact in terms of meritocracy, by promoting increasing educational opportunities. These were seen as powerful arguments for a greater involvement of the state in education, but were not the only ones.
INTRODUCTION

Marshall’s position indicates that higher education (and education in general) was being increasingly treated by economists as an exception to the prevailing rules of privatization and competition. Marshall presented several arguments that would later be extensively used to justify greater governmental regulation. Firstly, and although education had major benefits, even economic ones, these were only reaped over the long-term, which presented significant uncertainty. Hence, he had doubts that society should rely on students’ or families’ foresight. Marshall expressed particular concerns regarding those students coming from low-income families, whose parents were normally poorly educated. Secondly, there was the dissociation between costs and benefits, since the former were larger supported by parents and the latter reaped by students. Hence, in this context, expenditure in education became a choice between the parents’ and the students’ interests which market mechanisms would not handle necessarily well, because in a market context individuals are supposed to balance the costs and benefits associated with each alternative decision. Thirdly, Marshall was concerned with what we nowadays would call the credit-constraints. Even if the parents were willing to support their children’s education through borrowing, they were most certainly prevented from doing so due to their poorer financial condition. Overall, these combined forces promoted a situation in which the children of lower income families would persist at a lower level of education, from generation to generation, unless society, particularly through government, would take a more active role in education funding.

The emphasis on the peculiar nature of higher education, thus, justifying the role of government, would persist during much of the twentieth century. Accordingly, the balance shifted towards a greater emphasis on the role of the government in higher education, and more scepticism towards the imperfectability of markets in this respect as the government’s role in education in general expanded. Due to this emphasis on the potential failures of a market in higher education, economics as a discipline started the twentieth century less inclined to apply a market framework to higher education. However, bearing in mind the centrality of the market concept in economic analysis and economics’ reliance on individual economic rationality, the resistance to apply this framework to higher education inevitably produced some tensions. These tensions would be exacerbated in the last quarter of the twentieth century with the so-called crisis of the welfare state and the ascent of economic laissez-faire.

The person who has arguably been the main contributor in again placing markets at the forefront of the educational debate was the late Milton Friedman (1912–2006). Through the effective rhetoric of his Capitalism and Freedom (1962), he launched the contemporary debate on the role of markets and governments in (higher) education. Interestingly, Friedman does this by recovering some of the intellectual tradition of some of the authors mentioned earlier in this section. Now that the context had changed significantly and the role of government in education was taken for granted by most people, Friedman tried again to place the burden of proof on the side of government in order to limit its role in higher education.

According to Friedman, the contemporary role of the government in education was mostly taken for granted and led to what he called a substantive nationalisation of the educational sector. Friedman tried to rationalise this governmental presence,
which he does on the basis of education externalities and a paternalistic concern for children and other individuals of limited rationality. According to Friedman, the role of government was mostly justified as an instrument of promoting a common set of values and basic citizenship through general and compulsory education. At the financial level, those that could afford it should contribute significantly to the education of their children. Altogether, Friedman’s reflections point to a greatly reduced role for the government in education.

The reduction of the role of the government was even more critical in his analysis of higher education. In this case, Friedman believed that the case for nationalisation was even weaker. Moreover, it introduced some major distortions in the functioning of the higher education system. He proposed, based on observed externalities and arguments about national productivity, that most funding should be directed to the students themselves in a sort of voucher mechanism. Friedman believed that the shift from institutional to individual funding would enhance the competition between higher education institutions and encourage better use of resources. Moreover, it would promote a larger diversity of types of higher education, because of the greater responsiveness which he associated with private provision.

These arguments have been persistently repeated in recent decades to justify the growing role of market competition and privatisation in higher education. Although hardly any contemporary economist questions that the government has some role to play in higher education, quite a few would argue that there is a real possibility that government interference will hinder incentives for quality, efficiency, differentiation, and innovation (Dill and Teixeira, 2000). Thus, while the market may fail, there is a possibility that government may fail as well (Wolf, 1993). The effects, in terms of equity and efficiency, of introducing markets and competition in the higher education sector will therefore always result in trade-offs. Faced with this challenge, many governments have been experimenting over the last decades with market mechanisms in higher education and higher education institutions have been learning to deal with this new environment and its implications for their daily activities.

FROM QUASI-MARKETS IN HIGHER EDUCATION TO QUASI-ECONOMIC HIGHER EDUCATION INSTITUTIONS

Markets are usually presented as a powerful mechanism of social choice that, through rational utility-maximizing behaviour of individuals, as if by an invisible hand, will distribute goods in such a way that no one could be better-off without making anyone else worse-off (Wolf, 1993). However, economists are also aware that markets do not always produce the optimal outcome from a society’s point of view. Some markets can persistently produce too much or too little of goods and services, challenging the self-regulating capacity that economists usually associate with a market mechanism, i.e., the capacity to adjust to situations of excessive or insufficient supply (or demand). This is a case of market failures.

The development of public economics has led to greater attention to the issue of market failures, the main types that have been identified being those of public goods, the existence of externalities (spillovers), information asymmetry, and monopoly powers. With the exception of the public goods issue, all of the other
examples of potential market failure are considered as relevant for the case of higher education (Johnes, 1993). First, self-interested individual decision-making does not take into account the fact that investment in higher education will affect the functioning and wellbeing of others in a positive way. The same holds for firms investing in research (or R&D). Both examples may increase the risk, from society’s point of view, of an underinvestment in higher education and research. Secondly, one faces important information-related problems in the higher education sector when it comes to assessing the outcome (including the quality) of the efforts of academics and students. Imperfect information also shows up in the student loans market, where information asymmetries exist between students taking up loans, on the one hand, and banks (or government agencies) that supply loans, on the other. Thirdly, while natural monopolies may not exist in the case of higher education, market power may be concentrated in a selected number of providers, causing them to behave like a cartel and to erect barriers to entry for potential new providers.

These examples of market failures have provided the traditional economic rationale for government intervention (Wolf, 1993). Government intervention can take the shape of public production, the provision of government subsidies, the provision of information, and the issuing of laws and regulations. Government intervention may also work to introduce sufficient incentives to ensure that providers reveal the quality of their services and students express clearly their demands and capacities, because sufficient information is a vital ingredient for any market. Government regulatory bodies also are charged with overseeing market concentration, preventing collusion practices or monopolies, and promoting a market structure without unjustified barriers for potential new providers entering the market. When it comes to the higher education market, one of the major goals of government intervention is also to provide equal opportunities to all qualified individuals who wish to participate in a higher education course.

The critical issue for higher education therefore is not the dispute between advocates of complete deregulation and advocates of a protected status for universities, but rather the debate regarding what type and degree of government regulations will maximize the social benefits of higher education systems increasingly subject to market forces. Governments in many Western countries have traditionally relied upon systems of rather centralized control to coordinate their higher education systems. The adoption of market-based policies in many countries represents the application of a less direct form of regulation. The challenge confronting those experimenting with market-based policies in higher education is therefore to identify the institutional framework of rules and incentives that produces welfare-maximizing competition among (mainly) publicly subsidised, but increasingly institutionally autonomous, academic institutions. Underpinning this is the long-standing belief that competition, even if simulated, can produce an improved outcome in terms of the quality and quantity of education supplied.2

Some would also argue that the peculiar nature of higher education markets limits the relevance of economic assumptions about “perfect competition.” They suggest that because university prices do not reflect true costs (due to government subsidies, private endowments, or cross-subsidies), the traditional economic framework of
“market failures” may be inappropriate for assessing the performance of higher education. The absence of full-cost pricing, however, like the presence of government regulation, does not lessen the relevance of economic theory for evaluating whether existing mechanisms of coordination in higher education maximize social welfare. Many markets such as agriculture or energy are also characterised by government subsidies and explicit government regulations and economic analyses of the relative efficiency of these markets nonetheless continue to be useful in shaping government policy.

A related argument is that higher education markets differ from traditional markets in that they are publicly funded “quasi-markets,” introduced into existing state systems of higher education in order to increase efficiency and responsiveness (Le Grand and Bartlett, 1993). The concept of quasi-markets is a useful means of categorising some of the more popular reforms for introducing market forces into existing publicly financed systems of higher education. In a quasi-market situation, decisions about supply and demand are co-ordinated using ‘market-like’ mechanisms in which only some of the main elements of a market are introduced, often gradually. Government regulation and financing will still remain important mechanisms of coordination, but other aspects of the market, such as competition, user charges, individual responsibilities, and freedom of choice, are introduced into the system.3

Many also argue that the application of market forces to higher education is inappropriate because higher education is a “public good”. Moreover, in many (European) countries this argument is used to condemn both private provision of higher education and the participation of students and their families in the direct costs of higher education. Many of these critics, however, use the term “public good” as equivalent to public benefits and seem to assume that such benefits must be publicly provided. This common usage of the term, however, often obscures the contribution that an economic perspective can make to higher education policy. Mainstream economists have instead defined a pure public good as a good or service that will not be provided by the market because of the inability of private providers to exclude those who do not pay for it (Barr, 2004), the classic examples being lighthouses, defence, and the police. But academic degrees, research, and most of the other outputs of higher education are provided by the private sector. Therefore public economists prefer calling higher education a merit good rather than a public one. By this they mean that governments should promote private consumption of this type of good because of its individual and social benefits, but this promotion does not require its public provision.

The critical policy issue is not whether markets will finance and produce higher education for those who wish to purchase it, but whether the amount and types of goods and services thus produced will be efficient for society. In other words, and as Alfred Marshall pointed out, since universities provide non-priced social benefits in addition to the private benefits for which individuals or organisations will pay, it is in the interest of the state to subsidise higher education in order to maximise social welfare. This of course is a rationale based upon the market failure of positive externalities, and thus higher education is best considered a merit rather than a public good.
One of the dimensions through which marketization has mostly pervaded the higher education realm has been that of funding regimes. The rising costs of higher education systems have contributed to experiments in funding to increase competition between higher education institutions. This debate has often been associated with the idea of promoting wider choice, the possibility of market type accountability, and the reduction of governments’ interference in higher education (Jongbloed, 2004).

The system of free (or almost free) higher education based on public support has been criticized on the grounds of efficiency and equity. It is argued that the student is the main beneficiary of the degree (e.g., increased lifetime income), and therefore he/she should bear a larger part of the costs of providing it. Moreover, from the late sixties onwards, there has been significant controversy on the possible regressive effects of low or nonexistent tuition fees. Direct charging is seen as a way of affecting student decisions (i.e., affecting allocation), as it makes clear to students that higher education leads to a private benefit. Accordingly, many countries have moved towards cost-sharing with some direct form of contribution from students and their families.

The changes in attitude towards higher education are not only pressed by financial and/or economic concerns, but also by changing perceptions about the roles to be awarded to higher education. Over the last decades, societies and governments have evolved in their views about the social role of higher education, with significant implications for the Identity of HEIs and the Organization of the higher education Sector. These have come to be shaped by an increasing influence of economic rationality in education in general and in higher education in particular (Teixeira, 2009). With the development of human capital theory, and the subsequent increasing interest of many economists on education, perceptions about the nature and purpose of higher education have changed and this has influenced policy-makers and society in general.

This changing view about the motivations of students has led to the belief that much of the new demand for higher education is prompted by economic goals. It therefore assumes that students are capable of making informed choices that are consistent with their utility’s maximization, in contrast with the paternalistic argument, used repeatedly throughout the nineteenth and twentieth centuries’ expansion of the public educational system, according to which students and their families were perceived to be unable to assess the merits and quality of educational programmes and educational providers. Human capital theory presents students as rational individuals that can act in a way that is consistent with their self-interest, following a basic economic assumption that pervades mainstream economic analysis, not unlike the behaviour of those individuals in many other market activities. This has contributed to a view that regards students as consumers that should be empowered in order to maximize their utility.

By stressing the economic motivations of higher education’s demand, economists have opened the door for reconceptualizing the role of educational institutions themselves. By viewing educational decisions as being largely motivated by economic factors and calculus, economics has contributed decisively to recognize educational institutions (also) as economic institutions. Moreover, by presenting educational
institutions as a kind of economic unit, economists quickly moved to encompassing the educational system into the basic framework of a market system.

This has created significant tension between two different perspectives and legitimating ideas about higher education (Gumport, 2001). One the one hand, we have those who look upon higher education as a social institution with specific cultural and social functions. On the other hand, there is the perspective that views higher education as an industry and a part of the economic system (and an increasingly important part of it). This latter view of higher education as an industry and as an economic sector has important effects in the way higher education institutions are perceived, namely as quasi-corporate units that produce a wide range of educational goods and services (including, but not only, educational ones), to an external environment that is increasingly competitive and demanding. Thus, the need for those institutions to adapt and respond to the changing needs of multiple economic and societal actors. Thus, although governments have, in the context of massification, awarded greater autonomy to HEIs, they have also steered them to face increasing and more diverse demands through marketization.

As a consequence higher education institutions are increasingly motivated to adopt an external orientation, often translated into a discourse calling for a greater customer focus. This customer-orientation is often received with mistrust and perplexity. One of the main concerns regarding this trend has to do with its stimulus to student consumerism (Geiger, 2004). The trend has steered the system from the notion of a client that relies on professional expertise to customers – the ones supposedly to be always right, that should be pleased. The emphasis on students’ sovereignty has had important effects in matters such as curriculum, since student satisfaction has become a very important institutional objective. Thus, academic staffs perceive their influence over student learning as clearly weakened and have felt the pressure of a certain anti-intellectual drift. Moreover, institutions have become increasingly adverse to any behaviour that could have negative short-term impacts on student satisfaction. Everyday issues of academic life and learning such as grades, examination practices, attendance to lectures, failure rates, were now observed from a different perspective. The most selective institutions, which are usually able to attract the best and most motivated students, did not feel these effects as directly. However, the less attractive an institution or department, the more problematic it becomes to enforce high academic standards, because students may be tempted to move to another similar institution with less strict rules. Since it takes time for the labour market to perceive the effects of reduced selectivity, in the short term it is possible for students to attain a higher education degree with a reduced level of effort.

The issues related to the external orientation of HEIs are certainly not limited to their relationship with students and families and impinge on the wide range of external accountability procedures. HEIs are multidimensional institutions with multiple purposes, thus, the need to define priorities regarding those various dimensions and the various communities that HE serves. With the rising influence of academic management (Gumport, 2001), which has been largely motivated by a desire to increase internal efficiency, the selection of priorities becomes significantly moulded by the concerns in sustaining and generating resources. Hence, academic subjects,
staff and programmes have been increasingly valued within the institution on the basis of their contribution to that institutional concern. This has challenged the traditional sovereignty of intellectual and professional expertise as a legitimate foundation for academic management decisions.

The tendency to perceive HEIs as quasi-economic organizations has also obscured the distinctive nature of these organizations (Winston, 1999). First, most of them are motivated by non-profit rather than commercial interests, even when they are owned privately. Second, they use a production process that is very much dependent on the collaboration of the so-called customers. Third, they adopt a selective approach regarding those demanding their services, calculating the prestige to be derived from each association. Finally, we can find a level of diversity of units and production processes in the higher education sector much beyond what is usual in other sectors.

Furthermore, we should not forget the historical roots of higher education. Higher education is an institution, with a mission, and not merely an organization, though these terms are often used interchangeably and the latter has tended to predominate in recent times (Gumport, 2001). This focus on the organization tends to (over) simplify the nature and the social role of higher education and devalues the role of history, tradition, and academic norms. Thus, these alterations in the language used to describe higher education reveal significant changes in political and social perceptions, at the same time as they contribute to a new view about higher education. Namely, it provides a narrower view of the scope and legitimacy of higher education as a social institution.

Higher education cannot ignore that it is an economic system and HEIs cannot escape the fact that they need resources to develop their activities. However, they can do this in very different ways. One approach is to abandon their institutional inheritance by becoming an organization that provides academic services. Alternatively they can balance the need to accommodate market signals and to respond to short-term economic and social demands with a longer-term commitment to their enduring institutional mission. This is something commendable even from a management perspective, since it is doubtful that firms can endure if they limit themselves to responding to short-term incentives and pressures and lose sight of their long-term goals. Moreover, HEIs must be aware and discuss openly that responsiveness to social and economic needs may not only entail benefits, but also costs and problems. The use of economic rationality in academic management is not a means to avoid problems and difficulties, rather it is another possible criterion to organize the decision-making process and legitimize institutional decisions.

The assessment of the changes brought on by the strengthening of market forces in higher education is a complex and often highly controversial task. Until recently, the so-called marketisation of higher education has been rather more prominent in political debates than in its real effects (Teixeira et al. 2004). However, even at the policy level, the discussion has moved forward in recent years and is less about the meaning of markets or a debate between markets vs. governments. Instead, in recent years we have seen a growing coexistence of state and market regulation in many higher education systems. The increasing presence of market mechanisms has reshaped the reality of higher education, both at the system and at lower levels,
and HEIs around the world are facing in their daily activities the implications of marketization.

THE STRUCTURE OF THE BOOK

It is therefore timely that the 2009 Annual Conference of the Consortium of Higher Education Researchers (CHER), which took place in Porto (Portugal), focused on the implications of the increasing marketization of higher education. The papers were organised around three major topics. First, the impact of markets at the system level, with significant attention being devoted to the changes in modes of regulation, the strengthening of aspects such as privatization and inter-institutional competition in higher education systems, and the closer interaction between higher education and its economic environment. Second, the implications of market forces for institutions’ changes, notably regarding issues such as institutional missions, organizational structure and governance and the way marketization is affecting the internal distribution of power and the definition of priorities. Finally, the discussion about the different markets of higher education, such as the academic labour market, undergraduate and postgraduate education, and research markets. This list of themes proposed for discussion were not meant to be exhaustive, but rather to point out some of the major aspects in which marketization is perceived as having major impact.

In the first chapter, Roger Geiger revisits the rise of market forces in US higher education and analyses its effects. In his chapter, Geiger underlines the impact that the increasing marketization of American higher education had on means of financial support and on selectivity in the access and distribution of students across institutions. He emphasises that the increasing influence of market mechanisms had an overarching impact across the system, even on more peripheral sectors and institutions, contributing to more marked institutional differentiation and segmentation and to growing inequalities. Geiger also points out that marketization was significantly mediated through the development of publicly available instruments of benchmarking, notably institutional rankings. In his chapter he discusses the extent to which the system may be able to manage these growing inequalities and what will be its long-term impact for the overall performance of the higher education system.

Some of the most significant examples of the effects of marketization have emerged outside Western countries. In many parts of the world there was a need to expand higher education, due to social demands and economic motivations to improve the qualifications of the labour force. Nonetheless, in most of those countries there was neither a strong public higher education sector on which to place the burden of expansion, nor a strong public welfare tradition. Furthermore, the expansion of higher education in those countries has been taking place within an ideological context that tends to enhance the virtues of markets, competition and private initiative. In his chapter, Ka-Ho Mok reflects about these realities in the case of Asian higher education, by looking at the importance of privatization and its changing character. In his chapter, Mok also analyses that one of the major dimensions of the privatization process in Asia, as in many other parts of the world, has been in the changing
funding basis of higher education, with a growing relevance of private sources. This has been enhanced by the stimulus to forge stronger links with industry, which is another important effect of marketization in Asia as in many other regions.

Private higher education has not only become a major actor in many Asian higher education systems, but has also changed its purpose and profile. As in other parts of the world, the massive expansion of higher education has replaced a tradition of private institutions based on philanthropic initiatives, often with government support, with a much more commercially aggressive and market oriented private sector. Hence, in the following chapter, Cai and Yan analyse the development of private higher education in more detail by looking at the Chinese experience. Private higher education has been playing a more significant role in this rapidly expanding system and that expansion has been characterised by an increasing institutional diversity among that sector. In their chapter, they look at the role of competition and its effects within the private sector, especially as regards institutional and organizational isomorphism.

These various dimensions of privatization have been contributing to a blurring of boundaries between the public and the private in higher education. These changing boundaries have become visible even in countries with a traditionally very large and hegemonic public higher education sector. In their chapter, Jóhannsdóttir and Jónasson analyse the boundaries between public and private sectors in several Nordic countries by looking at dimensions such as accreditation and quality systems, academic careers, funding mechanisms and student support systems, and financial autonomy.

The influence of marketization has been often stimulated by supra-national factors. This has been particularly significant in regions such as Europe, which in recent years have experienced an increasing integration of their higher education and research systems, especially with the development of the Bologna process. European universities have far more intense relations, not only through exchange programmes for students and staff, but also by developing joint teaching and research projects. This has not only made them more aware about their European counterparts, but also more interested in mutual learning and comparisons. Hence, we have seen the dissemination of certain characteristics and certain strategic options across Europe. In that respect, Rosa et al. discuss in their chapter to what extent the Institutional Evaluation Program of the European University Association has helped universities better accommodate to a market environment and respond more capably to certain competitive stimuli.

European universities have seen not only a major increase in their multiple forms of interaction, but also a growing influence of the supra-national level. One of the instruments for that influence has been through the allocation of research funding. In their chapter, Nokkala and her colleagues analyse the influence of European-level decision-making through the framework programmes and the way they have contributed to the emergence of a competitive European research market. They discuss the impact of European funding on the stratification of higher education and the relevance of factors such as experience, size and funding opportunities to explain differences in the research grant performance of European universities. It is noteworthy that competitive research allocation mechanisms seem to be contributing
to stratification across European higher education, not unlike that noted by Geiger in the US case.

This competition between European universities is affecting their daily operation and their substantive priorities. It is also affecting decision-making processes and governance mechanisms, creating tensions between traditional collegial modes and more managerial ones. Thus, in their chapter Boffo and Moscati explore these issues by studying 15 Universities from 5 different European countries. They analyse the impact of market rationales on universities’ missions and internal restructuring, contrasting cases of more specialised universities with more comprehensive ones and older universities with more recent ones.

The following two chapters also analyse the impact of marketization in modes of governance and management by focusing on two European higher education systems. In her chapter, Rosemary Deem explores the impact of market ideas on a European system in which the degree of marketisation has been more visible by looking at current thinking about leadership and management in English higher education. Based on a series of interviews with senior managers, she focuses on the relationship between modernization programmes in the higher education sector and particular policies and approaches to managing those services. In the following chapter, Magalhães and Santiago look at the influence of marketization trends through the adoption of public management and new governance models in higher education. In their chapter, they argue that recent trends have seen the prevalence in European higher education of new instruments of governance over traditional mechanisms of steering. Looking at the Portuguese experience, they discuss the apparent paradox between the well-known strengthening of institutional autonomy and the intensification of government action. Their study reinforces the increasingly held view that increasing marketization of higher education has meant a change in the modes of government intervention, but not necessarily its significant retrenchment.

The increasing presence of overlapping government and market mechanisms of regulation in higher education is further explored in the chapter by Reale and Seeber, which looks at the correlation between market forces and institutional performance in the Italian context. In their chapter, they pay particular attention to the impact of marketization on institutional behaviour and responses to government policies aimed at reducing regional inequalities. Their chapter also illustrates the tensions that marketization may rise regarding other systemic and institutional goals such as national cohesion and regional equality. This regional dimension is also very much present in the following chapter by Crespo and colleagues, which looks at the process of delocalization of academic supply in the Canadian province of Quebec. They explain that this process was significantly stimulated by institutional competition fostered by pro-market governmental policy initiatives. In an excellent example of market behaviour being fostered by governmental policies, the authors analyse how universities have responded to those competitive forces by the establishment of off-site campuses and delocalized programs, trying to occupy as many market niches as possible.

The theme of competition is also central to the following chapter by Kathryn Mohrman, which looks at the Chinese higher education system. In her chapter,
Mohrman compares the strategy adopted by the Chinese government to foster the development of so-called world class universities, an increasing topical issue across the international higher education landscape, and another consequence of increasing competitive trends at the international level. In her chapter, she analyses the cases of 5 Chinese universities, contrasting them with well-known prestigious European and North-American universities, and explores the way the Chinese universities have dealt with government pressures to enhance their international competitiveness.

The strengthening of competitive trends brought about by the marketization of higher education has been making inroads even in systems traditionally dominated by public provision of higher education and by a strong ethos of public regulation. Accordingly, the next two chapters explore those changes in two Nordic countries. In their chapter, Thune and Brandt analyse the influence of market trends in a less traditional (and frequently less regulated) activity of continuing education in Norway. The authors argue that, although the Norwegian system is still strongly regulated by the government, the development of institutional autonomy and incentives for generating additional revenues has stimulated universities to explore less traditional activities. Moreover, their chapter also illustrates the fact that the institutional resistances to marketization tend to be weaker in less traditional activities (which also tend to rank lower on the academic hierarchy of prestige). The next chapter by Hoffman and his colleagues focuses on the way market forces have been challenging and shaping Finish higher education institutions. Looking at the Finish higher education system, they analyse the impact of increasing competition between universities and how marketization trends have affected institutional identity and behaviour and the lack of straightforward answers to those challenges.

As we have mentioned earlier, one of the major vehicles for the introduction of market forces in higher education has been through financial mechanisms. In his chapter, Gerald Wagenge-Ouma addresses the impact of those funding changes in the particularly complex context of African higher education. By looking at public universities in Kenya and South Africa, he points out the significance of financial adversity for many public universities in Africa, as in many parts of the developing world. He also explores the role of the market in promoting changes in the financial context, namely through the promotion of privatization and funding diversification. Finally, he reflects about the impact of those challenges for institutional identity and mission.

A large part of the discussion about markets has been centred in the issue of competition at the system level, both on the supply side and on the demand side. In their chapter, John Brennan and Kavita Patel take a step further and analyse whether students are getting more or different things from attending certain types of institutions. Using data from a recent research project which has attempted to study ‘what is learned’ by students within the UK higher education, they compare the experiences of students who attended more prestigious institutions with those who went to less prestigious places, namely by focusing on their aspirations, their experiences and ‘what they had learned’.

The pivotal role played by institutional competition in many of the pro-market policy reforms is also perceptively analysed in the final chapter of this volume by
Rostan and Vaira. Looking at the Italian case, they address the effects of market-oriented reforms in the higher education system and in institutions, especially the effects of competition between institutions, research units and individual academics. Those recent policies have aimed at promoting increasing competition in areas such as students’ attraction and the conditions for their mobility; the academic labour market in terms of scholars’ recruitment, mobility and career; and the evaluation-based competition in research and in research financing. In their chapter, they discuss several of the complexities involved in those types of policies, highlighting several issues that are likely to be relevant to many other countries experiencing similar policy trends.

The chapters included in this volume aim to portray the richness and the depth of the discussion that took place at the CHER 2009 Conference in Porto. They constitute a careful selection of the almost eighty papers presented on that occasion, a task that proved to be quite demanding due to the quality and diversity of the papers read at the conference. The selection of papers, on which the editors of this volume were thankfully assisted by the perceptive and careful help of a group of colleagues who acted as referees, aimed at providing a diverse picture of the themes and countries covered.

We do not expect that the chapters in this volume will cover all of the aforementioned dimensions in a systematic manner, but we do hope that they may provide important insights to the many national and institutional contexts in which marketization has been playing an important role. The continuing reflection about the increasing role of markets in higher education around the world will surely help us to know to what extent market forces may provide a contribution to higher education that may live up to the canon of economic analysis. Notably, we do hope that, with the advance of marketization, the debate about the effects of market forces in higher education may be able to develop a better knowledge of the virtues and vices of increasingly co-existent government and market regulations in higher education.

NOTES

1 This title, which is a paraphrase of an article by Gareth Williams, is also a tribute to a dear colleague and to one of the persons that has contributed most over the last decades to foster the dialogue between economics and higher education research.

2 The nature of the markets for higher education, however, is even more complex due to the fact that higher education institutions are multi-product organizations operating in various different areas of activity. Higher education institutions not only produce first level degree programmes, but also research doctoral programmes, professional master’s programmes, and in-service training programmes. In addition, universities produce knowledge related goods and services including professional consulting, research, and scholarship. Each of these goods and services potentially represents a different market, which varies in terms of their degree of competition and government regulation.

3 One of the major concerns underpinning this regulation relates to quality assurance, which echoes the concerns expressed by Stuart Mill when he called for stronger government regulation of HEIs, especially private ones.

4 Unfortunately, we still know too little about how students and families proceed in the case of education and higher education. Individuals tend to have very limited information about the issues at stake and seem to show little enthusiasm about the search of additional information to support their
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choices (Schneider, 2001). In most discussions, there is a prevailing view that either families or students seem to be poorly informed about prospective educational institutions, or that they do not value the same aspects that educationalists and scholars consider as relevant, or that parents and students use shortcuts when it comes to choose an institution or a program (Dill and Soo, 2005). Understanding better this phenomenon seems particularly relevant to policy-making and to institutions in order to understand how they can help promote a better match between student expectations and what HEIs have to offer.

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PART 1: MARKETS AND GLOBAL TRENDS
IN HIGHER EDUCATION: LOOKING BACK,
MOVING FORWARD?
ROGER L. GEIGER

1. MARKETS AND THE END OF THE CURRENT ERA IN U.S. HIGHER EDUCATION

INTRODUCTION

The current era in U.S. higher education began roughly thirty years ago, c. 1980, when a series of marked departures from existing conditions crystallized. After three decades, the transformations of the current era stand out more clearly than ever. This paper examines three distinguishing developments of this era and how they have been shaped by market forces.

What are these features? The common thread for all of them is privatization, although in each case it is manifest in different ways. First, is the financial aid revolution. Student financial aid has always played a role in American higher education, but since 1980 two-thirds of students have become dependent on financial aid, most of them on student loans. Federal student financial aid is now the largest source of revenue for higher education. The financial aid revolution has contributed to the escalation of tuition prices across all sectors of American higher education.

Second, and closely related, is what I described in Knowledge and Money as the “selectivity sweepstakes.” This phrase refers to the increasing demand for student places in the selective sector of higher education, and especially the validation of the notion that the more selective an institution, the more desirable or valuable are its degrees. These developments have been exceedingly beneficial to institutions in that sector, but the benefits have been claimed increasingly by students from upper-income families.

Third, the opposite side of the coin, has been the vocationalization of the non-selective sector. These relatively open institutions that educate the majority of American college students have acquiesced to student inclinations toward more job-oriented curricula, but have also been influenced by public demands for occupational preparation. These institutions have also endured meager public funding, weakening academic preparation on the part of their students, and low rates of graduation. When compared to the selectivity sweepstakes, a growing bifurcation of American higher education becomes evident.

All three of these phenomena are familiar features of higher education. Although notable events stand out in all these developments, the evolution over thirty years was gradual and often confounded by extraneous noise. However, when viewed over the entire three decades of the current era, the changes become stark. One needs to understand conditions in the 1970s in order to appreciate them.
THE DISMAL 1970S

The 1970s are generally depicted as a dismal decade for higher education in the United States, a hangover of sorts after the exuberant growth and anarchic turmoil of the 1960s. I called a chapter on this decade, “surviving the seventies,” reflecting what appeared to be a dearth of resources in a weak economy and public disenchantment with universities. In a longer perspective, however, these conditions should be seen as the exhaustion phase of two of the strongest secular movements of the mid-twentieth century—the end of demographic expansion in enrollments and the culmination of a growing “publicness” of higher education as a whole.

Enrollments in U.S. colleges and universities doubled from 1951 to 1961 to about 4 million. Then, as the baby-boom cohorts graduated from secondary school and participation rates rose, an additional half-million students enrolled each year until the early 1970s. Total enrollments topped 11 million in 1975, but then, for the first time in the nation’s history, higher education ceased to grow. Total enrollments crept upward after a few years, but the bulk of additional students in the seventies matriculated at 2-year community colleges, where most attended part time and where completion rates were poor. The number of new students enrolled in four-year colleges and universities stagnated for the next twenty years.

Both culture and career considerations influenced these developments. A pervasive alienation from academic culture characterized the aftermath of the student revolt and evolved to a generalized disillusionment with colleges. Such feelings were expressed in a huge defection from academic subjects—the humanities, social sciences and education—toward vocational majors, particularly business. The preference for community colleges also reflected alienation from academic values. These attitudes combined with a poor job market that depressed the wage premium received by college graduates, leading to dire charges of “overeducated Americans” and predictions that enrollments were about to plummet. Chiefly, these factors affected males, whose graduation rates fell by 17 percent in the seventies. The rising tide of women students leveled off for about five years, but since 1980 they have comprised a growing majority of students.

The English language has no word for the opposite of privatization. Yet, that is what occurred from 1945 to 1980 in American higher education (as well as other spheres). American states poured enormous resources into building public systems of higher education: flagship universities were expanded and outfitted for an extensive research role; teachers colleges grew into regional universities; public urban universities multiplied and grew; and a vast array of community colleges was built. These institutions absorbed the bulk of the additional students, so that the public share of total enrollments, which was one-half in 1950, reached 79 percent in 1975. The seventies are perceived to be a time of financial hardship—“retrenchment” was the watchword—but real state funding actually increased until the last years of the decade, reaching its highest level for per-student outlays in 1977. Real tuition at public institutions declined modestly (i.e. increased less rapidly than inflation). Moreover, a huge new infusion of public funds for higher education was created as federal student financial aid under the Education Amendments of 1972.
The opposite side of this growing ‘publicness’ was the perilous condition of the private sector. There was widespread concern that many private colleges would be forced to close, and federal student financial aid legislation in 1972 was consciously designed to help keep the private sector viable. Even institutions with large endowments saw those funds shrink along with alumni gifts. Private colleges and universities experimented with ways to become more affordable, more vocational, and/or more accessible to a broader clientele. Private tuitions were level for the decade in constant dollars as institutions feared to raise prices in the face of weak demand.

The last years of the seventies thus represented the high-water mark for public investment in higher education. They also constituted the high point of access for U.S. students to low-cost, well-furbished, publicly supported postsecondary education. Interestingly, low costs, good quality, and wide availability did not sustain enrollment growth, as just mentioned. Public funding for access was not accompanied by public confidence in higher education. In fact, the extent of public social expenditures began to be challenged. Internationally such sentiments were addressed as the ‘crisis of the welfare state.’ Still, no one in these years foresaw a resurgence of private higher education.

In sum, these vast historical movements had by the end of the 1970s exhausted the forces that had heretofore sustained them. Moreover, the premises on which they had mobilized people and public spending were now being challenged. An additional factor—a wild card of sorts—was the inflation that raged during those years, increasing the cost of living by 50 percent from 1978 to 1982. Rapidly rising prices drove home the sense of crisis and encouraged willingness to try new initiatives. The election of Ronald Reagan to the presidency in 1980 certainly reflected a change in the zeitgeist that ultimately affected higher education, but a series of unrelated events set the course for the current era. Above all, they relied upon private actions and market mechanisms to displace aspects of the public sphere.

The economist Charles Lindblom defined the “market system” as “a method of social coordination by mutual adjustment among participants rather than by a central coordinator.” It is easier to explore how markets operate in the special conditions of higher education if one starts with this underlying process of social coordination. Most obvious, higher education is an exceedingly important activity for all modern societies and hence subject to a great deal of central coordination. This coordination is both financial—through the funding of universities—and regulatory—through laws and the authority of ministries of education. Nor are governments the only coordinators. Private entities, like foundations, deliberately strive to affect social coordination. And often participants voluntarily collude or cooperate by forming associations to better coordinate activities. However, some degree of coordination does not preclude the operation of market systems. Lindblom reminds us that an orderly institutional context is a precondition for participants to have the freedom for mutual adjustment.

Of course, the principal mechanism by which buyers and sellers adjust is through prices. Moreover, it is through the price mechanism that market systems claim to
achieve efficiency. Here is a problem for higher education. It is universally held that educational opportunities should be made available on the basis of merit—individual achievement—rather than pricing, or ability to pay. In fact, the preponderance of central coordination is predicated on this value. This suggests two considerations. First, Lindblom tells us, “the market system is grossly inefficient.” Distortions arise from spillovers, arbitrary pricing, and irrational consumer choice, among other things. Hence, economic efficiency should not be an expected outcome in the absence of efficient prices. Second, higher education values knowledge more highly than money. Institutions evaluate students according to academic merit—meaning their past academic achievements and future learning potential. Students evaluate institutions according to their embedded learning and potential for transmitting learning. Where such judgments are allowed free sway, the mutual adjustments of providers and consumers will resemble a market system.

Lindblom concludes: “the market system can only operate within a limited domain”; and “its limited domain is a limit on its capacity to achieve efficient allocations.” “Its distinctive efficiency is efficient voluntary choice.” Applied to the three privatizing trends of the current era, this means that the task is to understand the nature of those limited domains, and the constraints operating within them; but also to identify how voluntary choices have produced the market forces that have driven these developments.

THE FINANCIAL AID REVOLUTION

The basic system of federal student financial aid was established by the Education Amendments of 1972. The philosophy behind this legislation sought to assure both access and choice—access by providing a basic grant to low income students, and choice by providing supplemental grants to students wishing to attend more expensive—that is, private—institutions. It also included provisions for subsidized loans as a “back-up” for students with special need. The prevailing norm was that, insofar as it was possible, students should be able to make decisions on educational, not financial, criteria. For example, the leading eastern schools, known as the overlap group, met annually to compare and equalize their offers of financial aid to ensure that monetary considerations would not influence student choice. The wealthier selective colleges were proud to declare that they practiced “need-blind admission”—that is, they admitted students solely on the basis of academic merit and then provided whatever aid was required. Thus, institutional financial aid was always part of the mix, but it was viewed as a supplement that allowed highly qualified lower income students to attend elite colleges.

In 1978, under conditions of accelerating inflation, two developments disturbed this equilibrium. First, led by Harvard, elite private universities began aggressively raising tuition to meet rising costs. In compensation they also provided increasing amounts of institutional aid, since an increasing proportion of students qualified for financial need as tuition rose. Second, the “middle-class squeeze” became the rallying cry for families that were supposedly being priced out of higher education. Congress obliged by passing the Middle Income Student Assistance Act (MISAA) in 1978.
This act removed all income limitations for Guaranteed Student Loans, which had major repercussions. The volume of loans quickly mushroomed, more than doubling to $9 billion from 1977 to 1980 and becoming the largest component of federal student aid. More lenient income caps were re-imposed in 1981, but the volume of GSLs did not decline—in fact it rose slowly until 1992, when terms were again liberalized, touching off another upward ratchet. Higher education had tapped into a potentially enormous new source of revenue—the future earnings of its students—and it would only encourage the ‘loan culture’ that this spawned. Congress obliged with new kinds of loans without subsidies or income caps.10

The combination of institutional financial aid from private institutions and widely available student loans eliminated price resistance in the private sector. Colleges could and did raise prices for those who could afford them while those who could not resorted to student loans, supplemented by institutional aid or tuition discounts. Private college tuitions rose far in excess of the cost of living or growth in family incomes (CPI + 3% real annual growth). The additional funds came from two sources: “consumer surplus” and student loans. Consumer surplus is the amount that a consumer would be willing to pay for a good above its stated price. By raising tuition private colleges were capturing increasing amounts of consumer surplus, and through student loans they were getting first rights to the future earnings of their graduates (rather than being last in line via philanthropy).

The new system of finance for the private sector thus combined high-tuition and high-aid. I described this system to the 2004 CHER Meeting, emphasizing the point that privatization was driven by public money, in this case federal loans.11 I also noted some unwelcome consequences. In fact, high-tuition/high-aid represents a market system with remarkable efficient properties. These are the result of those “voluntary efficiencies” noted by Lindblom—the result of individual institutions pursuing their own self-interest. Nor can the negatives be blamed on ‘Mr. Market.’ Like mortgage madness in the U.S., the early stages of this process promoted the public good by helping students finance their education, and many of the later problems were caused or exacerbated by misguided public policies. Thus, only as these market dynamics progressed did excess and corruption creep in.

As the cost of higher education escalated, an increasing proportion of students fell into the financial need category. Now 80 percent of students in the private sector receive some form of financial aid. In practice, this means that most of these students pay different amounts for the same education. Differential pricing is a concept many economist admire. The difficulty here stems from the fact that those same institutions both maximize their own self-interest and have considerable control over the terms of trade. Michael McPherson and Morton Owen Shapiro described this as the “Student Aid Game.”12 Unfortunately, it is not a very fair game. Deceptive practices, like front-loaded financial aid packages, are routine, and only a handful of institutions are still able to practice need-blind admission. Ability to pay now plays a much larger role in admissions decisions, euphemistically called ‘preferential packaging.’

These practices contradict a fundamental principle of nonprofit organizations. Theories of the not-for-profit sector of the economy stress the importance of trust:
these institutions ought to be trusted not to take advantage of asymmetries of information because they are prohibited from distributing profits. However, colleges now seek to squeeze the maximum consumer surplus from their students and their parents. This is dignified by the term “enrollment management” which means managing enrollments to maximize revenue. Hence, the notion that institutions can be trusted to manipulate the multiple financial aid variables rings a bit hollow.

An additional dimension of pricing in this market system results from the trade-off between money and merit. As the high-tuition/high-aid system matured, institutions below the academic leaders concluded that their interests were better served by using institutional aid to attract good students instead of simply meeting financial need. Thus, merit aid has become an accepted practice at all but the top institutions. Students and their parents now face agonizing trade-offs between quality and price. Tuition is roughly the same throughout the selective private sector, but more prestigious institutions offer less financial aid to middle-class students, while less prestigious schools offer more generous financial aid packages (greater tuition discounts) whether or not they call it merit aid.13

The great irony of the financial aid revolution is that public policies intended to remove considerations of price from the coordination of student enrollments have produced exactly the opposite result. Pricing is a paramount consideration for the vast majority of students, and ability to pay enormous tuition prices matters more now than ever before. Perhaps the most negative feature has been increased social stratification throughout American higher education, but especially in the high-quality, selective sector.

The financial aid revolution has contributed to price escalation in the public sector as well. There 78 percent of regular students receive some form of financial aid, 53 percent receiving loans. However, market conditions are somewhat different. With far larger numbers of mostly middle-class students, tuition discounts are not feasible. Merit aid is employed to a limited extent by some universities, largely in order to compete with private universities for top students. Several states, led by Georgia, established comprehensive merit aid programs for state secondary school graduates with good grades. These programs have proven quite popular. They are largely a middle-class entitlement, since the recipients are overwhelmingly from middle and upper-middle-class families. And they have proven beneficial to state universities by retaining top students.14 Overall, Rising tuition has displaced state funds in financing the public sector, rising from 24 percent in 1981 to 43 percent in 2006—a shift of one-fifth of costs in 25 years, with no end of this trend in sight.

Most importantly, the financial-aid revolution has allowed institutions in both sectors to dramatically raise the relative price of higher education. Tuition prices in both the public and private sectors were remarkably stable relative to family incomes from 1960 to 1980. Since then, relative prices have more than doubled in both sectors.15 How have American universities been able to more than triple their sticker prices? The process was greatly abetted by a growing demand for places at prestigious colleges characterized by high-quality, high prices, and selective admissions.
The 1980s witnessed an intensification of the competition among students for places at prestigious, selective colleges and—reciprocally—competition among these colleges for the best students—the *selectivity sweepstakes*. These processes were scarcely new, but they had been overshadowed in the seventies by the prevailing anti-elitism and alienation. A number of factors undoubtedly favored this transformation of the zeitgeist:

- Revival of the job market, particularly opportunities for highly paid careers
- Generational rebellion against the dour, anti-establishment rhetoric of the seventies
- Intense marketing efforts by colleges to boost applications and enrollments
- The college rankings first published by *U.S. News* in 1983
- After 1995, increasing demand from larger cohorts

However, such factors ignited and amplified fundamental market forces that had long been at work.

The prime mover in unleashing these market forces was the integration of a national market for higher education over the last 50 years. The enlargement of the market for selective institutions by itself tended to produce increased segregation of students by ability level. Top students, given greater choice, tended to prefer institutions promising academic quality. Due to their role in educating one another (peer effects), high-ability students have an additional incentive to cluster together. Better students contribute to higher quality, which in turn attracts better students.

Colleges and universities clearly recognize the value of such students and do all they can to attract them. Since the most effective inducement over the long run is academic quality, they chiefly resort to qualitative competition. Increased spending for the enhancement of quality serves not only its immediate purpose, but by attracting more top students it has an additional peer effect—a multiplier—which boosts quality further still. Caroline M. Hoxby has explained these changes as exhibiting the characteristics of “industrial organization of markets of vertically integrated products that undergo trade liberalization.” In other words, the unleashing of market forces (trade liberalization) has driven this process. I would add, the financial aid revolution, by expanding the purchasing power of students, powerfully accelerated it in the 1980s and beyond.

Qualitative competition spurred private colleges and universities to augment educational spending through the policy of high tuition and high aid. The most prestigious institutions have been best able to make this approach work to their advantage. So, in this respect, prestige helps to optimize tuition revenues. Prestige also appears to be a critical factor in attracting voluntary support. Prestige for these purposes comes in different forms. However, academic distinction, particularly in undergraduate education, seems to be the most potent factor in unlocking the generosity of alumni donors. High costs among private universities correlate closely with high selectivity, as measured by SAT scores. High levels of spending, in other words, promote higher student quality. This pressure for ever-more spending among the country’s wealthiest universities is now conventionally called the “arms race.” But for institutions that can play this game there are benefits to belonging with the ‘selective sector’—of competing in the selectivity sweepstakes.
A catalyst for creating these sweepstakes was the appearance in 1983 of the first ranking of colleges by *U.S. News & World Report*. The initial rankings were based solely on reputation, and thus mirrored wealth, selectivity, and visibility. Still, they proved enormously popular, and after 1987 they appeared annually with a more complex methodology and more numerous categories. For the leading private institutions, they soon carried significant consequences for the number of applications, the yield of matriculating students, and amounts of financial aid needed to recruit a class.21

There is no strict definition of the selective sector. It is widely noted that perhaps 50 institutions actually reject more students than they accept, and possibly as few as five still practice ‘need-blind’ admission. In fact, many ‘selective’ institutions reject fairly few applicants. Rather, the distinguishing feature of the selective sector is qualitative competition: in the words of economist Gordon Winston, “competition in the input market for scarce students (and faculty) quality that will improve a school’s educational quality and position.”22

In practical terms, the top of the selective sector is quite obvious, while its nether border is indistinct and indistinguishable. Private research universities almost all belong. So do the top fifty liberal arts colleges, and a good number of weaker institutions that wish to be associated with them. Large public research universities belong in part; that is, they compete in the same input markets for students and faculty, even though they are much less exclusive in whom they admit.23 In addition, a handful of smaller public universities have attained recognition for selectivity and undergraduate quality. All told, perhaps 15 percent of first-year students at four-year institutions, drawn predominately from the top quartile of that cohort, matriculate in the selective sector. What is certain, student demand for these places has grown significantly during the current era. Supply is by definition inelastic, since the admissions system operates as a queuing process, where unsuccessful applicants accept places lower in the market hierarchy. Nonetheless, the number of institutions engaged in qualitative competition has grown appreciably, and, more tellingly, qualitative competition has grown far more intense. The effect has been a general migration of the most able students into the selective sector. This can be documented with rising SAT scores (against a stable distribution) and growing concentrations of the highest scoring students (700+ scores). Hence, one of the salient characteristics of the current era has been the growing differentiation of the selective sector from the rest of American higher education.24

Economists have attempted to determine if attending a selective institutions enhances career prospects, and why. Findings are unequivocally positive on the first issue. That is, attending a tier one college (top 44 institutions) has a substantial positive effect on earnings, and attending a tier two institution (next 85) has a smaller positive effect. Moreover, these differentials have been increasing in the current era. As for explanations, the evidence seems to indicate that selective colleges are effective at both selecting students with outstanding personal attributes, other things being equal, and that the college experience (treatment) has positive effects as well.25 A comprehensive study by economist Liang Zhang concludes: “college quality, while providing important opportunities for economic and social mobility,
at the same time plays an important role in preserving and perpetuating socio-economic status in American society.” Since 1980, market forces in the selective sector have strengthened processes of social reproduction.

VOCATIONALISM AND THE NON-SELECTIVE SECTOR

The obverse of the selective sector consists of those institutions that educate the bulk of American students. This open sector includes the following types of institutions:

- Public community colleges (35% of enrollments)
- Nonselective baccalaureate colleges (6%)
- Public and private masters colleges (22%)
- Doctoral granting institutions (5%)
- For-profit colleges (6%)

The open sector has evolved toward increasing emphasis on vocational majors and a corresponding atrophy of the liberal arts. An increasingly efficient national market has shunted students with less academic aptitude into the least selective institutions. These same institutions have experienced disinvestment by their respective state governments, leaving them with diminished resources. Not surprisingly, college completion rates are low, and time-to-degree for those who do graduate has been rising. The stagnation in college graduates that has seen the U.S. surpassed by more than a dozen other nations is largely a consequence of the poor productivity of the open sector of higher education.

American higher education has always balanced a combination of cultural and vocational goals, but the current era has gratified preferences of the majority of students for training for jobs. Education scholars Norton Grubb and Marvin Lazerson regard our greatest educational success as “the creation of a mass system of higher education inextricably linked to occupational purposes. Students come to get ahead, to become credentialed and licensed to the labor market.” The 2006 Report of the Spellings Commission challenged colleges and universities to go further down this path: “to address the fundamental issues of how academic programs and institutions must be transformed to serve the changing educational needs of a knowledge economy.” In the early 1970s somewhat more than 40 percent of beginning students indicated that “being very well off financially” was an essential or very important objective. By the 1980s that figure had risen above 70 percent and more recently to 77 percent—the most popular freshmen “objective” in going to college. However, there is a difference in how students are “credentialed and licensed” for their economic roles in the selective and non-selective sectors.

The decline of liberal arts and their displacement by vocational subjects occurred at the outset of the current era among non-selective institutions. The regional comprehensive colleges of state systems were most affected, as were the bulk of the weaker private liberal arts colleges. Business was an initial winner as students voted with their feet for occupation-oriented studies, and business BA’s rose to 25 percent of graduates in the mid-1980s. However, business became so popular that enrollment limits were imposed at many schools, and its share of graduates has stabilized around 22 percent. Areas growing more rapidly than business are recreation/leisure studies, visual/performing arts, computer science, communications, and security
services. Institutions in these sectors have been open to new fields that sought enhanced dignity with college degrees. This was the case with some health professions (e.g., physical therapy), security services, and leisure studies, for example. In a sociological analysis of this phenomenon, Steven Brint and associates found “a particularly strong occupational emphasis in institutions enrolling a high proportion of students with low test scores and, by implication, from lower socioeconomic backgrounds.” By further implication, the authors perceive these institutions to have become “mass terminal institutions.”

This diagnosis is buttressed by the work of Caroline M. Hoxby on the market integration of American higher education. This process has caused “the distribution of quality, tuition, expense, and student ability among colleges [to] widen substantially.” By the same token, institutions have become more homogeneous as “the distribution of student ability within any individual college has narrowed.” The results for the most open half of the system have been dismal in terms of falling average student ability and the lowest levels of educational resources. More recent data show these trends persisting with no sign of reversal. If anything, they are probably growing more pronounced, as the market forces identified by Hoxby have intensified. A good portion of recent enrollment growth has come from students with weak academic preparation, and they have been channeled into the open sector, where rates of completion are lowest:

6 – Year Graduation Rates by Institutional Type (2001 Freshmen)

- Private & Top Public Research Universities and Private Liberal Arts 73%
- Public Doctoral 47%
- Public Master’s 45%
- Non-selective public/private Baccalaureate Colleges 45%
- For-profit 4-year 44%

The c. 40 percent of students who begin their studies at Community Colleges have a much lower completion rate—under 20 percent.

At the same time, states have been disinvesting in publicly supported higher education. Real per-student appropriations peaked in 1977 and have oscillated below that level ever since. The Great Recession made this situation far worse. The open-sector institutions, which are most dependent on state appropriations, have borne the brunt of this disinvestment. Recent research has begun to isolate the consequences of this trend. Economist John Bound and associates have identified declining resources as the principal cause of low college completion rates and an increase in time to bachelor’s degrees. Moreover, there seems to be a connection between the financial aid revolution and declining state appropriations for their colleges. For many years state legislators resisted tuition increases in state schools, sometimes legislating caps or formulae that would penalize hikes beyond specified levels. Since 2000 they seem to have abandoned that cause. Behind this switch lie burgeoning student loans. As public tuition rises to compensate for sparse state appropriations, students resort to federal student loans. Some immediate costs of higher education are thereby transferred from the state to the federal fisc.
MARKETS AND THE END OF THE CURRENT ERA

DISCUSSION

The trends described here are widely recognized. They have been the subjects of a mounting volume of literature in recent years, comprising everything from popular perspectives on the selectivity sweepstakes to technical publications of the National Bureau of Economic Research. Among the most comprehensive contributions is, *The Race between Education and Technology* by Claudia Goldin and Lawrence Katz, two Harvard economists who have studied demographic trends in education for many years. They too document the discontinuities that occurred around 1980. In macro terms, they argue that educational attainment stagnated while technology raced ahead. This produced growing demand and limited supply for highly educated and highly productive labor, which accounts for the pronounced growth in income inequality in the United States. Conversely, another study has produced data showing that increased income inequality causes decreased educational attainment. Anyway you view it, stagnation of educational attainment and rising income inequality are two of the most salient features of the current era.

This paper contributes to this dialogue by defining three underlying trends of the current era and placing them in a definite temporal context—the last three decades—in which they can be related to prevailing market forces. A more challenging task is to attempt to integrate these developments into a single coherent interpretation. Such an explanation of fluctuations in rates and forms of college-going should take into account four factors—prices, incentives, qualifications, and resources or educational quality. On the surface the evidence is confusing.

**Prices:** Economists can calculate the elasticity of demand for higher education with great precision, but actual trends cast some doubt on those figures. Demand declined in the last half of the 1970s when prices were low, and it increased in the 1980s as prices were rising. Demand has risen in recent years with prices at the highest levels ever. A doubling of relative prices has apparently failed to dampen demand.

**Incentives:** Since 1980, the wage premium for college graduates has risen dramatically, but the rate of college completion has stagnated. In fact, Goldin and Katz argue that this lack of college completion is the principal cause of rising wage premiums. Students have more incentive than ever to finish college, but this seems to have little effect.

**Qualifications:** One factor may be qualifications. Secondary school graduation rates have been stagnant for a generation. Various estimates consistently show that probably half of students entering post-secondary studies are deficient in the skills needed for college work.

**Educational Resources/Quality:** Here there is no single pattern. Resources and quality have risen impressively in the selective sector. Spending in the open sector has grown more slowly, and it might be doubted if quality has improved at all. This may well be the key for explaining the inconsistencies just mentioned.

The bifurcation of American higher education is in fact driven by two different markets. The selective sector exhibits the characteristics that Hoxby called the “industrial organization of markets of vertically integrated products.” That is,
producers are rewarded for spending more to offer higher quality products for which consumers will pay higher prices. Selective colleges and universities have been able to raise their prices consistently more than the cost of living because demand rose as they increased the quality of education. The availability of financial aid and the practice of differential pricing made this strategy far more effective than it could have been in isolation because these practices simultaneously broadened the market for high-quality education (increasing demand) and bolstered quality as well by ensuring the recruitment of top students (thereby enhancing peer effects). Fortunately for these institutions, the correlation is strong between high academic ability and high family income. A large proportion of the top students they sought could afford the escalating tuition prices. The beauty of this kind of market is that it feeds upon itself—success begets greater success and encourages more of the same behavior. At the same time, there are barriers to entry, since it is difficult to jump into the high-cost/high-quality game. Yet there must be limits to this market, since it depends upon finite pools of other people’s money: the top 5 percent of family income; student and parental loans.

In the open sector of higher education more familiar market forces operate. On the positive side, students still have a large economic incentive to attend and graduate from college, even though their wage premiums will not be as large as those of graduates of the selective sector. But negative factors weigh down completion rates and extend time-to-degree. High prices have a demonstrable impact, particularly for students from the two lowest income quintiles. They are more reluctant to take on debt, and they have resorted to growing amounts of part-time work. Research has also found that lower levels of educational resources are associated with lower graduation rates. Institutions in this sector must accommodate students with weaker academic preparation. Most likely, these last two factors interact, as large classes, part-time teachers, and unavailable classes take their greatest toll on weak students. Probably the majority of American college students are affected to some extent by these conditions. Unfortunately, these market conditions also seem to feed upon themselves, largely through the disinvestment in public higher education and the steep stratification in the effectiveness of pre-college education.

American higher education has great strengths, of course, many emanating from that selective sector. Even if one is concerned with social stratification, the distribution of education attainments is probably within the range of most other OECD countries. The real problem in American higher education is the direction of change. For thirty years we have been becoming more unequal educationally and economically. We have been losing ground to other advanced economies in terms of the education of our citizens and the skills of our workers.

NOTES

1 Keynote address, Consortium of Higher Education Researchers, 22nd annual Meeting, Porto, Portugal, (10–12 September 2009).
2 For 2007, total federal aid was $96 billion; total tuition revenues were $92 b.; and state & Local appropriations were $72 b.: Chronicle of Higher Education, Almanac Issue, 2009–10.
3 Geiger (2004 [1993]).
MARKETS AND THE END OF THE CURRENT ERA

5 Specifically, these choices represented an implicit cost-benefit estimation: since students had low expectations for benefits they lowered their investments (costs) by starting at two-year institutions or using summer terms to graduate in less time.
6 While access was a widely shared objective, reflected in the Education Amendments of 1972 and the build-out of community colleges, lack of confidence was expressed toward university appeasement of radical students and rising nominal costs (which reflected inflation). One expression of this was the imposition of extensive federal regulation.
8 Ibid., 161.
9 Ibid., 166, 175.
13 This relationship can be imputed from the data in Catherine Hill, et al. (2004). More recently, the wealthiest schools have offered very generous aid packages to non-wealthy students, but these practices have been rolled back since the great recession.
14 Dynarski (2002).
16 The following draws from Geiger, Knowledge and Money, Chapter 3.
17 Hoxby (1997).
18 The alternative—price competition—in its cruder forms tends to restrict inputs, attract less qualified students, and diminish quality. “Quality” is unspecified here since it could reflect the effects of bright peers, abundant inputs, or other attributes.
20 Gordon Winston writes of this situation, “hierarchy based on donative resources become highly skewed”; however, any attempt to opt out of the arms race would be “fiduciary irresponsibility”: “in a positional market, there’s [sic.] never too much of a good thing … and in the hierarchy, wealth is fundamentally a good thing” (1999, 27, 31).
21 Ronald Ehrenberg.
23 For a working definition of the selective sector, social scientists have divided American higher education into seven tiers. Tier one consists of 44 institutions, all private except for the three military academies. Tier Two is 85 institutions, 65 private and 20 public research universities. See Soares (2007), 176–7.
25 These studies are summarized by Soares, Ibid., 130–35, 176–77.
26 Zhang (2005), 130.
27 William Bowen, Crossing the finish Line; Roger L. Geiger, “American Malaise?
32 Hoxby (1997).
34 Bound et al. (2007).
37 For a more technical discussion of these factors, Turner (2004), 13–56.
38 “The slowdown in the growth of educational attainment since 1980 is the most important factor in the rising college wage premium of the post-1980 period”: Goldin & Katz, 303.
Lack of adequate academic preparation is long-standing problem, but there has been no appreciable progress to date. For reading performance, probably the most critical academic skill, 39 percent of tested 17-year-olds in 2008 were able to “understand complicated information”—the kind of material encountered in college. This was the same level as 1971. These data suggest that one-half of students entering postsecondary education probably lack the reading skills needed for college study. International standardized achievement tests also expose the weaknesses of U.S. primary and secondary education. U.S. students’ relative performance declines as they progress to the highest grades: National Center for Education Statistics, “The Nation’s Report Card: NAEP Trends in Academic Progress” (NCEA: 2009), pp. 12–13; Goldin & Katz (2008), 328–31.

Caroline Hoxby (with Bridget Terry) presents a stronger version of these market forces in “Explaining Rising Income and Wage Inequality among the College Educated,” NBER Working Paper 6873, (January 1999). She finds that the increasing correlation of “colleges’ per-student expenditures … with aptitude over time … represents the market equilibrium distribution of human capital inputs to people, based on their aptitude” (p. 32).

REFERENCES


*Roger L. Geiger*

*Penn State University*
2. LIBERALIZATION OF THE PRIVATENESS IN HIGHER EDUCATION

Funding Strategies, Changing Governance and Policy
Implications in Asia

INTRODUCTION

In the recent decades, higher education developments in Asia have been going through a few major changes. First, on the provision front, the state or public higher education sector has been reducing in their importance, while the private sector and the market have become incredibly prominent particularly when many Asian governments have relied more upon the market and the private initiatives to expand higher education (Mok, 2005, 2006). Alongside with the growing importance of the private sector in education provision, it has been a noticeable trend that state funding for higher education has reduced but non-state financial sources have steadily increased in higher education financing. Second, on the management/governance front, higher education in Asia has experienced significant restructuring exercises, especially when many traditionally state-dominated and centralized-governed public university systems have gone through the processes of “corporatization” and “incorporation” (Mok and Oba, 2007). Third, on the research front, a lot of universities have been developing their entrepreneurship in establishing linkages with industries to promote technological innovation.

These three major changes in higher education governance are closely related to the strengthening of a discourse which places emphasis on the advantages of private forces over public ones in the higher education sector, believing the market would run better education than the state or the public sector alone. Most current policy discussions assume that higher education institutions do not necessarily spend resources as society would want, hence many governments have gradually reduced their investments in higher education but increasingly relied on non-state sectors like the market, families and individuals and the private sector to run higher education (Jongbloed, 2009; Levy, 2008; Mok, 2009). Therefore, it is not surprising to see what Altbach (1999: 1) proclaims that “private higher education is one of the most dynamic and fastest-growing segments of postsecondary education at the turn of the 21st century”. This chapter sets out against the wider policy context outlined above to compare and contrast how higher education is financed and governed in selected countries in Asia. With particular reference to changing policy paradigm and governance in higher education, this chapter critically examines how selected
higher education systems in Asia have reformed their funding models, transforming their management approaches and engaging in more entrepreneurial endeavours.

**CHANGING HIGHER EDUCATION GOVERNANCE: GLOBAL AND LOCAL REASONS**

When examining how and why higher education in Asia has experienced the growing prominence of privateness, we will first examine the major socio-economic and socio-political factors accounting for the growing “privateness” in higher education in Asia, both on the global and domestic levels.

**Global Factors**

*Neo-liberalism’s penetrating impact on public sector management.* In response to the growing pressures generated by the globalization forces, modern states have attempted to reinvent themselves by moving beyond a welfare state to become a competition state (Gill, 1995; Jordana and Levi-Faur, 2005; Moran, 2002), undertaking reforms like privatization or corporatization of state-owned industries or publicly owned organizations, opening up new markets to multiple providers and introducing new regulatory regimes under the control of independent regulators (Drahos and Jospeh, 1995; Levi-Faur, 1998; Scott, 2004). Part of the major influences of globalization is closely related to the prominence of the ideas and practices of neo-liberalism, which have dominated not only the economic sphere but also the social, cultural and political domains in the past few decades around the globe (see Giroux, 2002; Mok and Welch, 2003; Painter and Wong, 2005). Critical analysts like Giroux, who believes that neo-liberalism and corporate culture are diminishing public spheres; organizations such as public schools, churches, public service broadcasting, libraries, trade unions, and various voluntary institutions have become less engaged in the making of public life and citizenship (2002: 4), since civic discourse has given way to business language (ibid: 1). To enhance the efficiency of the public policy / public management, modern states may deregulate some areas while enforcing competition in others, hence becoming a facilitator or even a generator of market. While the state in America is operated against a liberal market economy, many Asian states retain their regulatory power in order to foster market economy (often in some specific areas). This paradox is well-described by Levi-Faur as “the greater the commitment of the competition state to the promotion of competition, the deeper its regulation will be” (1998: 676). Education, especially higher education, is surely one such area under this paradoxical trend in the quest for global competitiveness.

*Corporatization and incorporation of universities.* Acknowledging the importance of the global competitiveness, coupled with their dissatisfaction with the conventional model along the lines of “state-oriented” and “highly centralized” approaches in running higher education, many Asian governments have recently tried to “incorporate” or introduced “corporatization” and “privatization” measures to run their state / national universities, rendering them more flexible and responsive
to rapid socio-economic changes (Mok, 2006a; Oba, 2007). While the role of the Ministry of Education or equivalent government administrative bodies may have diminished, state universities in Asia are now required to become more proactive and dynamic in looking for their own financial resources and collaborating with other local or foreign partners. A number of universities are allowed to borrow money, engage in business ventures, and establish companies or consultancy firms. They have also become more entrepreneurial in developing innovation and benchmarking their research results with the industry for the sake of profits and social status, which help secure more funding and attract more talented staff and students.

*Commodification of higher education.* The growing “privateness” in higher education in Asia could be understood as the responses of the Asian governments to the emerging higher education market. In 1995 higher education was regarded as a service to be liberalized and regulated by trade rules under the General Agreement on Trade in Services (GATS) of the World Trade Organization (WTO). Since then, many countries have allowed overseas academic institutions to set up branch campuses or offer various academic programmes on their lands. In Asia, joint programs, twinning programs and distance-learning have become popular in face of pressing demand for higher education opportunities, making the region a huge importer of these kinds of transnational education. As Tilak (2006) rightly suggested, private higher education characterized by philanthropy has been mostly replaced by profit-seeking private higher education, while state-supported private education is no longer seen as a desirable form of private education.

*Domestic Factors*

*Colonial history.* Colonial legacy is one of the most prominent features of higher education in Asia, since a number of Asian countries are former colonies of Britain or Japan (Morris and Sweeting, 1995). Despite the fact that most of the Asian societies under review are primarily anti-welfarist, education to them is an investment rather than expenditure (Asher and Newman, 2001). Without abundant natural resources but being small-scale economies when comparing to other giant developed economies such as the European Union and America, Asian states have to regard education as a tool to boost social and economic development by enhancing the quality of workforce (Bray, 1997; Tilak, 2000). In addition, after declaring independence from colonists, many Asian states have decided to use education to create a sense of belonging and nationhood among the citizens, thus it can also be regarded as an instrument of nation building and political legitimation (Bray and Lee, 2001; Gopinathan, 2001).

*Cultural values.* Apart from states, families in Asia generally are also very concerned with the younger generation’s education. This has to do with the traditional values and attitudes, namely Confucianism and Neo-Confucianism, which pay enormous emphasis on education and cultural enhancement (Morris and Sweeting, 1995; Rozman, 1992; So and Chiu, 1995). For example, recent studies have consistently
reported that Asian parents are willing and also committed to paying for their children’s education. Hence, private tutoring in Asia has been a growing trend and private school and higher education have therefore become increasingly popular (Bray and Bunly, 2005; Bray and Thomas, 1998). The above discussion has briefly outlined some major global and local factors which account for the growing privateness in higher education in Asia, the following parts will focus on how privateness operates in higher education through transforming three major governance aspects, financing, managing and enterprising universities.

FUNDING STRATEGIES AND PROVISIONS

Economically Advanced Four Tigers

The four East Asian Tigers (namely, Hong Kong, Taiwan, South Korea and Singapore) have devoted a considerable amount of public money to education. Total public expenditure on education now ranges between 3.5 and 4.5 percent of GDP. Although the GDP ratio in the four East Asian Tigers is relatively low when compared with Western countries, education is one of the most important and high-spending policy areas (see Table 1). Public education is about 20 percent of the total budget in the four Tigers. The state is still the dominant funder of education in these societies. Despite the state’s financial commitment in higher education, we have noticed that higher education funding sources have been diversified in South Korea, Taiwan, Japan and Hong Kong in the last decade. Table 2 clearly demonstrates private funding sources have played a more important role in higher education financing in Japan, Taiwan and China. Thus, the revitalization of the private sector and the liberalization of the market have contributed to the rapid expansion of higher education enrolments in these countries.

Table 1. A comparative perspective of tertiary education in east Asia (2007)

<table>
<thead>
<tr>
<th>Country</th>
<th>Gross enrolment ratio (%)</th>
<th>Public expenditures per student (% of GDP per capita)</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia &amp; Pacific</td>
<td>22.5 (2007)</td>
<td>/</td>
</tr>
<tr>
<td>China</td>
<td>23.0 (2007)</td>
<td>/</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>33.8 (2007)</td>
<td>47.3 (2007)</td>
</tr>
<tr>
<td>Korea</td>
<td>94.7 (2007)</td>
<td>9.3 (2005)</td>
</tr>
<tr>
<td>Malaysia</td>
<td>32.0 (2005)</td>
<td>93.7 (2005)</td>
</tr>
<tr>
<td>Singapore</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>Taiwan</td>
<td>83.2 (2008)</td>
<td>/</td>
</tr>
</tbody>
</table>


Note:
Table 2. Public-private mix in higher education financing in selected countries (in million)

<table>
<thead>
<tr>
<th>Country</th>
<th>Public funding</th>
<th>Private funding (including tuition and other fees)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>China (2007)</td>
<td>16,121.94</td>
<td>21,847.51</td>
<td>37,969.45</td>
</tr>
<tr>
<td>Japan (2003)</td>
<td>74,949.16</td>
<td>56,620.57</td>
<td>131,569.73</td>
</tr>
<tr>
<td>Taiwan (2004)</td>
<td>2,744.24</td>
<td>6,517.58</td>
<td>9,261.82</td>
</tr>
</tbody>
</table>

Table 3. Private higher education in selected Asian countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Private HEIs as % of all HEIs</th>
<th>Year</th>
<th>Enrolment in private HEIs as % of total enrolment</th>
<th>Year</th>
<th>Private Univ. as % of all Univ.</th>
<th>Year</th>
<th>Enrolment in private Univ. as % of enrolment in all Univ.</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>Predominantly private (private HEIs as % of all HEIs: 50)</td>
<td>92.2</td>
<td>2000</td>
<td>39.1</td>
<td>2000</td>
<td>41.7</td>
<td>2000</td>
<td>7.5</td>
</tr>
<tr>
<td>Japan</td>
<td>Predominantly private (private HEIs as % of all HEIs: 50)</td>
<td>86.3</td>
<td>2000</td>
<td>77.1</td>
<td>2000</td>
<td>73.7</td>
<td>2000</td>
<td>73.3</td>
</tr>
<tr>
<td>Philippines</td>
<td>Predominantly private (private HEIs as % of all HEIs: 50)</td>
<td>81.0</td>
<td>1999</td>
<td>76.0</td>
<td>1999</td>
<td>/</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td>Thailand</td>
<td>Predominantly private (private HEIs as % of all HEIs: 50)</td>
<td>68.0</td>
<td>2001</td>
<td>19.0</td>
<td>2001</td>
<td>48.9</td>
<td>2001</td>
<td>16.8</td>
</tr>
<tr>
<td>China</td>
<td>Moderately private (private HEIs as % of all HEIs: 25)</td>
<td>39.1</td>
<td>2002</td>
<td>8.9</td>
<td>2002</td>
<td>0.6</td>
<td>2002</td>
<td>/</td>
</tr>
<tr>
<td>Russia</td>
<td>Moderately private (private HEIs as % of all HEIs: 25)</td>
<td>37.1</td>
<td>2001</td>
<td>10.0</td>
<td>2001</td>
<td>/</td>
<td>/</td>
<td>/</td>
</tr>
</tbody>
</table>


When comparing higher education provision among the four East Asian Tigers, it is noted that the major differences related to the roles that the public and private sectors play. While the majority of universities / higher education institutions in Hong Kong and Singapore are either run by the government or heavily state financed, there is a clearer private-public mix in South Korea and Taiwan with private dominance. But one point which deserves attention is that the conventional public-private distinction is no longer appropriate especially when private financial contributions and fee-paying practices are becoming increasingly popular in East Asia. In order to increase the higher education enrolment rate, we have also witnessed the growing prominence of the privateness in the higher education of Singapore and Hong Kong since these Asian states have attempted to make use of the market to fulfill the policy goals of massification of higher education. Table 3 indicates clearly a growing numbers of private higher education institutions in selected Asian countries, suggesting also the proportion of student enrolment in private higher education institutions has increased steadily in the region (Tilak, 2006: 115). Therefore, private higher education sector has accounted for much of the higher education sector expansion, leading to revolutionary changes and imparting a growing “privateness” to Asian higher education systems (Altbach and Levy, 2005).
Hugely Populous China and India

The demand for higher education is also pressing in the two Asian giant countries, China and India. The rise of the privateness in higher education is particularly obvious in China as clearly revealed by the increase in terms of non-state funding sources and the growing number of private / minban higher education. Figure 1 shows the steady growth of private contributions to higher education financing in China in the last few years, while Table 4 suggests minban (private) education has emerged in China since the early 1990s. To date, private / minban sector has occupied a significant proportion in higher education sector, although there is not a clear distinction between public and private but a hybrid of publicness and privateness of education in China (Lin, 2006; Shi et al., 2005). Table 5 clearly shows how minban / private higher education has increased in the last few years, especially after the enactment of laws in promoting private / minban education. Table 6 and 7 further suggest the growing prominence of the privateness in terms of financing and ownership of higher education in China in general and in Beijing, the capital city, in particular. With the unleashed market forces in higher education, China now has the largest number of postgraduate students in the world (Mok, 2000; Ngok and Kwong 2003; Yang 2002). In 2005, the total national educational expenditure was 841,884 million yuan, and the share of state’s expenditure was 516,108 million yuan. In 2006, the total national educational expenditure was 981,531 million yuan, and the share of state’s expenditure was 634,836 million yuan (China Education and Research Network, 2007, 2007a).

Figure 1. National educational expenditure by sector (1993–2004) (in million yuan).

Source: China Education and Research Network (various years from 1994 to 2005).
Table 4. The rise of minban education in China (2002–2007)

<table>
<thead>
<tr>
<th>No. of:</th>
<th>2002</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minban Primary Schools</td>
<td>5122</td>
<td>6047</td>
<td>6242</td>
<td>6161</td>
<td>5798</td>
</tr>
<tr>
<td>Minban Secondary Schools</td>
<td>5362</td>
<td>4219</td>
<td>5192</td>
<td>5805</td>
<td>6059</td>
</tr>
<tr>
<td>Minban vocational College</td>
<td>1085</td>
<td>1633</td>
<td>2017</td>
<td>2559</td>
<td>2958</td>
</tr>
<tr>
<td>No. of Minban Higher Education Institutions (non-state/private)</td>
<td>(1202)</td>
<td>(1187)</td>
<td>(1077)</td>
<td>(994)</td>
<td>(906)</td>
</tr>
</tbody>
</table>

Source: Ministry of Education, China (various years from 2002 to 2007).

Table 5. Private / minban higher education in China (2003–2007)

<table>
<thead>
<tr>
<th>Year</th>
<th>Minban HEI</th>
<th>Independent college</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>297</td>
<td>318</td>
</tr>
<tr>
<td></td>
<td>1,630,661</td>
<td>1,866,243</td>
</tr>
<tr>
<td>2006</td>
<td>278</td>
<td>318</td>
</tr>
<tr>
<td></td>
<td>1,337,942</td>
<td>1,467,040</td>
</tr>
<tr>
<td>2005</td>
<td>252</td>
<td>295</td>
</tr>
<tr>
<td></td>
<td>1,051,663</td>
<td>1,074,618</td>
</tr>
<tr>
<td>2004</td>
<td>226</td>
<td>249</td>
</tr>
<tr>
<td></td>
<td>709,636</td>
<td>686,659</td>
</tr>
<tr>
<td>2003</td>
<td>173</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td>810,000</td>
<td>/</td>
</tr>
</tbody>
</table>

Source: Ministry of Education, China (various years from 2002 to 2007).

Note:
1. Minban HEI refers to higher education institutions established by local communities or enterprises in Mainland China.
2. Independent college refers to those higher education institutions co-founded by local governments and local communities and they closely affiliate with their well-established parent universities.

Table 6. Funding sources of higher education in China and Beijing

<table>
<thead>
<tr>
<th></th>
<th>Public funding</th>
<th>Private funding</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing</td>
<td>18,771</td>
<td>14,940</td>
<td>34,644</td>
</tr>
<tr>
<td>China</td>
<td>112,853.6</td>
<td>152,933.6</td>
<td>265,786.2</td>
</tr>
<tr>
<td>Percentage</td>
<td>16.6%</td>
<td>9.8%</td>
<td>12.8%</td>
</tr>
</tbody>
</table>

Table 7. Ownership of higher education in China and Beijing

<table>
<thead>
<tr>
<th></th>
<th>Public HEIs</th>
<th>Private HEIs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Affiliated with the central government</td>
<td>Affiliated with the local governments</td>
<td></td>
</tr>
<tr>
<td>Beijing</td>
<td>36</td>
<td>36</td>
<td>10</td>
</tr>
<tr>
<td>China</td>
<td>111</td>
<td>1438</td>
<td>276</td>
</tr>
<tr>
<td>Percentage</td>
<td>32.4%</td>
<td>2.5%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>


The growth of privateness in higher education financing is clearly revealed by the increase in fee-paying programmes in China Mainland. Since 1993, the Chinese government has begun to allow higher education institutions to adopt a user-pay principle and thereafter students have to pay for their tuition fees. Following the Suggestions on Promoting Unification of Higher Education Admission System published in 1996, both public and private / minban institutions have charged students tuition fees. From 1989 to 2006, university tuition fee increased from 200 yuan to 5000 yuan respectively, while some popular academic disciplines charge even higher fee up to 10000 yuan in many public universities. It is therefore not surprising to see tuition fee is even higher in minban / private institutions. Hence, a study conducted by 21st Century Education Development College shows about 80 percent of the respondents consider tuition fee too high and unaffordable in China Mainland (Wang, 2008). Nowadays, over-charging in higher education has become very popular; such practice has caused tremendous difficulties for rural residents to send their children to pursue higher education (Yang, 2007).

Similar to China, another Asian giant country India has experienced the growing prominence of private higher education. According to Tilak (2008), market forces have become increasingly active in shaping higher education development. The most recent higher education expansion in India is closely related to the vital role that private higher education has played. Table 8 below clearly shows public higher

Table 8. Present pattern of growth of higher education in India

<table>
<thead>
<tr>
<th>Types of institutions</th>
<th>Trends of growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public universities</td>
<td>Not growing</td>
</tr>
<tr>
<td>Private universities</td>
<td>Emerging on the scene</td>
</tr>
<tr>
<td>Colleges – public</td>
<td>Not growing</td>
</tr>
<tr>
<td>State-supported private colleges</td>
<td>Not growing</td>
</tr>
<tr>
<td>Private colleges</td>
<td>Growing rapidly</td>
</tr>
<tr>
<td>Foreign institutions</td>
<td>Emerging on the scene</td>
</tr>
<tr>
<td>Private post-secondary but not higher</td>
<td>Growing rapidly</td>
</tr>
<tr>
<td>education institutions</td>
<td></td>
</tr>
<tr>
<td>Unrecognized private institutions</td>
<td>Growing very rapidly</td>
</tr>
</tbody>
</table>

education institutions have been stagnant in number but private universities and colleges, foreign institutions and private post-secondary institutions have increased significantly in India. Witnessing the growth of private higher education in India, Tilak (2008: 230) argues that “with the diminution of the public sector to miniscule levels and the unbridled rapid growth of private institutions of all kinds, essentially profit-seeking private institutions, the transition of higher education institutions from that of a public good nature to that of a tradable private good nature seems to be nearing completion [in India]”.

Other Southeast Asian Countries

For other relatively not so advanced economies like some Southeast Asian countries, they have also experienced profound changes in their higher education systems. Table 9 shows the distribution of students in public and private institutions of higher education from 1997–1998 in selected countries in Southeast Asia, with the majority students entering publicly funded higher education institutions. Nonetheless, this picture has changed significantly in the last decade; especially when private higher education institutions have become increasingly popular and higher education funding are progressively diversified. Notwithstanding the substantial diversity of political system within these five countries, private higher education has all grown apace. Welch (2007) has rightly pointed out that private higher education in the Philippines has developed even further despite its already long history of private education. After the accession to the WTO in 2007, Vietnam has been keen to expand its higher education by allowing the rise of private higher education. According to Welch (2007), private higher education doubled its enrolments in Vietnam from 1996/7 to 1998/9, while Le and Ashwill even suggested by 2002/2003 there were 23 private higher education institutions enrolling around 12 percent of the total new enrolments (Le & Ashwill, 2004 cited in Welch, 2007: 245). According to the Vietnamese government, 40 percent of the university students will be admitted to private higher education by 2020 (Welch, 2007).

Responding to the call of the WTO to treat higher education as a “private good” rather than a “public good”, an increasing number of countries in Asia such as

<table>
<thead>
<tr>
<th>Country</th>
<th>Public</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>44</td>
<td>59</td>
</tr>
<tr>
<td>Malaysia</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Philippines</td>
<td>25</td>
<td>75</td>
</tr>
<tr>
<td>Thailand</td>
<td>60</td>
<td>40</td>
</tr>
<tr>
<td>Vietnam</td>
<td>100</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Gonzales (1999: 116).
South Korea, India and Indonesia have also found the public-private distinction in higher education provision and financing is getting increasingly blurred (Azra, 2008; Moon, 2008; Tilak, 2008). Similarly, the rapid higher education in Malaysia has to do with the liberalization of the private sector in higher education provision in the last decade. With the amendments of private education law in 1996, we have witnessed a steady growth of university students graduating not only from the public but also the private universities or higher education institutions in Malaysia. Coupled with the strategies by inviting a few major overseas partners to develop academic programmes with local institutions, the Malaysia government has successfully expanded its higher education and created an enabling policy environment for turning the country into one of the regional hubs of higher education in Asia (Lee 2006; Mok 2006a; Morshidi, 2006). Like Malaysia, Singapore’s strong conviction to become global schoolhouse has created the platform for prestigious universities from overseas to set up their branch campuses in Singapore, thus giving rise of student enrolments in privately run institutions (Mok, 2008; Olds, 2007). In short, the proliferation of higher education providers has clearly shown the prominence of the privateness in higher education provision and financing. Instead of relying upon sole state financial support, higher education financing in Asia has moved far beyond purely state funding to diversified funding sources. Similar to the state university system in California of America, state / public universities in Asia are getting more funding sources from the non-state sectors. Therefore, universities in Asia are now under tremendous pressure to become more entrepreneurial, university vice chancellors or presidents have to raise more funds and donations from the private sector and consultancy projects and contracts signed with the business and industrial sectors are strongly encouraged (Chan and Lo, 2007; Hawkins, 2008) (This will be discussed in later section). In view of this growing trend, Altbach (2002: 10) dispels the popular impression: “while many look to America’s impressive private higher education sector… only 20 percent of U.S. enrollments are at private colleges and universities, whereas in several Asian countries 80 percent study at private institutions”.

MANAGEMENT AND GOVERNANCE

Corporatization and Incorporation

The sweeping influence of neoliberalism has not only affected the funding strategies adopted by public sector like education but also altered the way the public sector is governed. Neubauer has rightly summarized the challenges of neoliberalism to welfare calculations on three fronts - “seeking to drastically lower taxes, reduce governmental regulation of economy and society, and promote the private sector” (2008: 125). Central to neoliberalism is the proposition that “market solutions to policy issues and social problems are superior to those achieved through state-managed bureaucratic solutions” (ibid: 128). In light of this, public services like education are believed to be run more efficiently and effectively if more “privateness” is instilled into the system.
In Hong Kong, universities are now run on a market-oriented and business corporation model (see Lee and Gopinathan, 2005; Mok, 2005a). In order to enhance efficiency of university governance, the University Grant Committee (UGC), the organization which shapes the directions of higher education development in Hong Kong, has recently subscribed to the notion of “deep collaboration” among universities, believing that synergy could be pulled together if universities in the city-state could better integrate. The UGC even supports university merging or other forms of restructuring to further establish Hong Kong as a regional centre for excellence in research and scholarship (Chan and Lo, 2007; Lee, 2005). Yet the higher education system in Hong Kong remains quite autonomous, any merger plan proposed by the government has never been implemented.

Similarly, influenced by the Japan model, the Ministry of Education of Taiwan has recently passed a new University Law, which is designed to change the statutory position of state universities into independent judicial entity by adopting principles and practices of corporatization. State universities in Taiwan are then given more autonomy in their governance, but the downside is they are now under immense pressures for searching additional financial support from the non-state channels in face of decreased funding from the government (Lo and Weng, 2005; Mok and Chan, 2008; Tien, 2006).

In facing a new market economy context, the Chinese government has only found the old way of “centralized governance” in education inappropriate (Yang, 2002). Acknowledging that over-centralization and stringent rules would kill the initiatives and enthusiasm of local educational institutions, the Chinese Communist Party (CCP) called for resolute steps to streamline administration, devolving more power and allowing more flexibility to units at lower levels. In the last decade of so, higher education in the post-Mao era has experienced structural reforms ranging from curriculum design, financing, restructuring (such as merger), promotion of the private / minban sectors in higher education provision, to adopting strategies to develop “world-class universities” in the quest for global competitiveness. With such a big ambition and strong intention, the government has implemented various reform measures such as “211 project” and “985 project” to concentrate state resources on a few selected top-tier national universities for boosting them to become leading universities in the world (Chou, 2008; Lo and Chan 2006; Min, 2004; Mok 2005b).

Likewise, Japan is not immune from the impacts of neo-liberalism, managerialism and economic rationalism, the three major ideologies underlying the tidal wave of public sector reforms and reinventing government projects across the world. With the intentions to make its state university system more responsive and flexible in coping with intensified pressures generated from the growing impacts of globalization, the Japanese government has incorporated all state universities since 2004. Central to the transformation of the existing national universities into “National University Corporations” are three major reform aspects: increased competitiveness in research and education; enhanced accountability together with introduction of competition; and strategic and functional management of national universities (Oba, 2007).
Higher education restructuring is popular not only among East Asian states but also in Southeast Asian societies. Having reflected upon the changing university governance models and evaluated the recent experiences of Singapore Management University (SMU), the Ministry of Education of Singapore has decided to change the governance models of the existing state universities, namely National University of Singapore and Nanyang Technological University, by making them independent legal entity through the process of “corporatization” (Mok, 2005, 2006a). By incorporating these state universities, the Singapore government hopes that universities on the island state could become more entrepreneurial. Similarly, public universities in Malaysia have undertaken similar kinds of reform since 1998. In the last few years, while public universities are run like as corporations in Malaysia, private universities have flourished, the overall privateness of the system has been enhanced.

Likewise in Thailand, public universities have recently experienced significant changes when the government has pushed the reform agenda of making its public universities more of an “autonomy university”. In Vietnam, as aforementioned, the privatization of higher education has been accelerated since it got accession to the WTO in 2007 (Mok, 2007, 2008a). Likewise, Indonesian higher education has recently transformed from public good to private ones, while India has also been privatizing its higher education for cost-recovery reasons (Azra, 2008; Tilak, 2008). Putting the above governance / management reforms taking place in the Asian higher education systems into perspective, it is clear that the recent higher education transformations and restructuring are part of the wider reinventing state projects or the reengineering of the public sector exercises launched in Asia.

Apart from efficiency, increasing demand of higher education opportunities is also a major underpinning for private education. Based upon projections for 25 selected countries in the 1990s, IDP Education Australia already estimated that the number of international students looking for learning opportunities either in or from a foreign country would reach 1.4 million in 2010 and rise to 3.1 million in 2050 (Blight, 1995). Similarly, recent demographic growth estimations suggest there will be a worldwide population of 7 billion to 8 billion people by 2025, thus anticipating there would be some 125 million students by 2020. Such changing global demographic trends clearly suggest a growing demand for higher education despite continual cuts in state budgets for higher education (Knight, 2006). Under such circumstances, even authoritarian countries like China and Russia, where private education was not allowed by law for a long time, have already relaxed their laws to give rise to private higher education (Mok, 2009). Academic notions like pseudo-privatization, “extreme form of privatization” (Tilak, 2006), institutions with “high private” nature (Johnstone, 1999) or entrepreneurial institutions” (Raines and Leathers, 2003) were posited to account for this growing trend.

THE RISE OF TRANSNATIONAL EDUCATION

Since the last decade, the greatest numbers of receiving countries are located in Asia Pacific since the pressing demands for higher education and professional training cannot be satisfied by domestic capacity. To capture the rise of the higher education
markets, a wide range of companies from bricks and motor institutions, e-learning, IT Training, publishers, and software to consultancy firms have engaged in offering different kinds of transnational education (Knight, 2006a).

A certain amount of research universities in Asia have successfully achieved world-class status (see Deem et al., 2008), positioning very well in the international league tables. Those from more developed Asian countries like Japan and the Asian four tigers have done a better job especially (refer to Table 10 and 11).

With these international recognitions, Hong Kong, Singapore and Malaysia have in recent years proclaimed themselves as potential candidates of regional hub of higher education. Adopting a liberal approach in transnational education, the Hong Kong government has allowed overseas higher education institutions to provide

<table>
<thead>
<tr>
<th>2009 rank</th>
<th>2008 rank</th>
<th>Differences in rank</th>
<th>Name</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>22</td>
<td>-3</td>
<td>University of Tokyo</td>
<td>Japan</td>
</tr>
<tr>
<td>2</td>
<td>24</td>
<td>+2</td>
<td>University of Hong Kong</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>3</td>
<td>25</td>
<td>-</td>
<td>Kyoto University</td>
<td>Japan</td>
</tr>
<tr>
<td>4</td>
<td>30</td>
<td>+3</td>
<td>National University of Singapore</td>
<td>Singapore</td>
</tr>
<tr>
<td>5</td>
<td>35</td>
<td>+4</td>
<td>Hong Kong University of Science &amp; Technology</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>6</td>
<td>43=</td>
<td>+1</td>
<td>Osaka University</td>
<td>Japan</td>
</tr>
<tr>
<td>7</td>
<td>46</td>
<td>-4</td>
<td>Chinese University of Hong Kong</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>8</td>
<td>47=</td>
<td>+3</td>
<td>Seoul National University</td>
<td>South Korea</td>
</tr>
<tr>
<td>9</td>
<td>49=</td>
<td>+7</td>
<td>Tsinghua University</td>
<td>China</td>
</tr>
<tr>
<td>10</td>
<td>52=</td>
<td>-2</td>
<td>Peking University</td>
<td>China</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Name</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Hong Kong</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>Chinese University of Hong Kong</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>University of Tokyo</td>
<td>Japan</td>
</tr>
<tr>
<td>Hong Kong University of Science and Technology</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>Kyoto University</td>
<td>Japan</td>
</tr>
<tr>
<td>Osaka University</td>
<td>Japan</td>
</tr>
<tr>
<td>Korean Advanced Institute of Science and Technology</td>
<td>Korea</td>
</tr>
<tr>
<td>Seoul National University</td>
<td>Korea</td>
</tr>
<tr>
<td>Tokyo Institute of Technology</td>
<td>Japan</td>
</tr>
<tr>
<td>National University of Singapore</td>
<td>Singapore</td>
</tr>
</tbody>
</table>

Source: QS.com Asian University Rankings 2009.
academic programmes in forms of joint programmes, distance-learning as well as twinning programmes. Regarding the sources countries of course providers, most institutions are from developed English speaking countries. The UK, Australia and the US are the most popular exporters of education to Hong Kong (Yang, 2005).

Unlike Hong Kong, the Singapore government has been playing a more directive role in orchestrating the higher education market in the city-state. Setting out far more strategic directions, the Singapore government has tried to develop higher education as an industry since the late 1990s and thereafter tactically invited “world-class” and “reputable” universities from abroad to set up their Asian campuses in the city-state, hoping to develop the island-state as a regional centre for higher education with significant research output, high-level analysis and high-calibre graduates (Mok 2008, Olds, 2007; Shanmugarantnam, 2005).

Similar developments can be found in Malaysia when the government is actively developing the country as a regional hub of higher education (see Morshida, 2006). Currently, there are several institutions working together to achieve this goal, including the Department of Private Education under the MOE, National Association of Private Higher Education Institutions, the Malaysian Association of Private Universities and Colleges, and the Malaysian Education Promotion Council. In addition, educational promotion offices have been established in China, Indonesia, Vietnam and the United Arab Emirates (OBHE, 2006). It is the Malaysian government’s policy objectives to expand the higher education market by encouraging every university to ensure that total student enrolment is made up of at least 10 to 15 percent of foreign students. As at the end of 2005, five foreign universities have established their branches in Malaysia offering foreign qualifications. There were 25 non-university status private colleges conducting 30 foreign degree programmes in collaboration with overseas institutions. In addition, some private universities, which primarily offer home-grown degree programmes, have also been providing programmes that lead to overseas qualifications (Malaysian Education Promotion Council, 2006).

In Japan, international joint degree arrangement has been developed since the late 1980s. Overseas campuses and various forms of collaborative programmes are available in the country. E-learning therefore becomes a new front of cross-border supply of education. Given that there is very limited unmet demand for higher education, e-learning is mainly adopted in professional postgraduate education in order to diversify and complement traditional education (Tsuruta, 2006).

After China joined the WTO in 2001, the Chinese government began revising legislation to allow overseas institutions to offer programmes in the mainland in line with WTO regulations. In September 2003, the State Council started implementing the “Regulations of the People’s Republic of China on Chinese-Foreign Cooperation in Running Schools”. This newly enacted legal document provides further details for the nature, policy and principle, concrete request and procedure of applying, leadership and organization, teaching process, financial management, supervised mechanism and legal liability, etc. More specifically, the 2003 legal document promotes transnational higher education, particularly encouraging local universities to cooperate with renowned overseas higher education institutions in launching new academic programmes designed to improve the quality of teaching and learning and to introduce
THE LIBERALIZATION OF THE PRIVATENESS

excellent overseas educational resources to local institutions (State Council 2003; [see Article 3 of Chapter 1]). By June 2004, the number of joint programmes provided in Chinese institutions in collaboration with overseas partners had increased to 745, while joint programmes qualified to award overseas or Hong Kong degrees increased to 164 (MOE, 2006). Most of these programs originated in the countries and regions with developed economies and advanced technology. As might be expected from countries with the biggest shares of educational service export in the world, almost half of the cooperative universities are from the USA and Australia, with a small, but still significant, number of universities from European countries have been approved by the Academic Degrees Committee of the State Council (ADCSC) to grant their degrees to Chinese-Foreign Cooperation in Running Schools (CFCRS) students (Huang, 2006; Mok and Xu, 2008).

Our above discussions regarding the rise of transnational higher education in Asia has clearly shown that for those relative developed economies such as Japan, Hong Kong and Singapore, they are very keen to develop transnational higher education as trade since they believe the development of which could generate another steady income stream for national revenue. While for those less economically developed economies such as China and Malaysia, they have made use of the emergence of the transnational higher education market to create more opportunities for meeting the pressing demands for higher learning (Mok, 2010). A close scrutiny of the growing privatness of higher education in Asia has clearly suggested that recent transformations of higher education discussed above are the result of the global pressures, there are also diverse domestic political or reform agendas which account for such changes.

UNIVERSITY ENTREPRENEURIALISM AND TECHNOLOGICAL INNOVATION

Nurturing entrepreneurialism, especially in technological innovation, is part of the project bringing more privatness to universities. As Slaughter and Leslie define it, university entrepreneurialism is characterized as “activities undertaken with a view to capitalizing on university research or academic expertise through contracts and grants with business or with government agencies seeking solutions to specific public or commercial concerns” (1997: 114–115). This new mission, alongside with the traditional missions of teaching and learning and pure academic research, has greatly transformed the nature of universities and the role of staff and students within. Academic notions such as “corporate academic convergence” (Currie and Newson, 1998), “entrepreneurial universities” (Marginson, 2000), “campus inc.” (White and Hauck, 2000), “capitalization of knowledge”, “Strong executive control”, and “corporate characters” are used to account for this change (Etzkowitz and Leydesdorff, 1997). The turn to entrepreneurial activities is explained not only by a change of universities towards more outward-looking goals, like promoting economic and social development, but is also matched by financial needs. In face of reduced financial support from the government as explained earlier, universities have to generate incomes through entrepreneurial activities, willingly or unwillingly (see for example, Marginson and Considine, 2000).
In addition, by forging closer ties with the industry, universities can create platform for their students to engage in exchange activities and internships, which help establish their job-related skills before graduation. This may be derided by some as turning universities into labour training institutes; it is undeniable that universities are now critical to nurturing human capital catering for economic development needs. As universities are becoming a new impetus to the economy, their relationships with the state and market have been reconfigured accordingly. It is impossible to detail every plans and programs in this section, so the following attempts instead to map out the overall picture of the “triple-helix” relationships (Leydesdorff and Etzkowitz, 2001; see Figure 2) among the state, university and the market in some Asian countries.

First of all, as shown in Table 12, we can see increasing R&D investments of the selected Asian societies in the first few years of the 21st century, both in terms of nominal total R&D expenditures and total R&D expenditures as share of GDP, which indicate that the bigger commitment of these societies into scientific and technological innovation.

Despite the shared interest in fostering R&D, the way that the government, industry and universities in each society interact and approach the matter differ. As shown in Table 13, governments in all societies except Hong Kong have played a significant steering role in R&D. Being a laissez-faire state, the Hong Kong government only starts to realize recently the importance of state participation in driving the agenda for innovation advancement, acting as the initiator and facilitator of such undertaking. In Taiwan, although the government is very keen on enhancing R&D activities, industry (especially Small and Medium-sized Enterprises [SMEs]) and universities also play an important role in it, thus there is a closer and more equal co-operation among the three stakeholders in the Triple Helix Model. Singapore, Japan and South Korea share a similar pattern that their innovation systems are led by both the state and industry (especially big corporations), yet the three countries also differ in one important aspect, that is the nature of those corporations.
Table 12. R&D investments of the selected five Asian societies, 2000–2004

<table>
<thead>
<tr>
<th></th>
<th>Hong Kong</th>
<th>Japan</th>
<th>South Korea</th>
<th>Singapore</th>
<th>Taiwan</th>
<th>Hong Kong</th>
<th>Japan</th>
<th>South Korea</th>
<th>Singapore</th>
<th>Taiwan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total R&amp;D Expenditures (in US$ million)</td>
<td>Total R&amp;D Expenditures as share of GDP (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>785.7</td>
<td>178,718.9</td>
<td>12,298.8</td>
<td>415.2</td>
<td>6,176.0</td>
<td>0.47</td>
<td>3.17</td>
<td>1.97</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>908.6</td>
<td>181,337.4</td>
<td>14,307.7</td>
<td>398.1</td>
<td>6,405.4</td>
<td>0.55</td>
<td>3.30</td>
<td>2.59</td>
<td>0.36</td>
<td>2.08</td>
</tr>
<tr>
<td>2002</td>
<td>967.1</td>
<td>182,950.8</td>
<td>15,386.4</td>
<td>402.4</td>
<td>7,013.4</td>
<td>0.61</td>
<td>3.35</td>
<td>2.53</td>
<td>0.36</td>
<td>2.18</td>
</tr>
<tr>
<td>2003</td>
<td>1096.0</td>
<td>184,367.3</td>
<td>16,934.9</td>
<td>472.3</td>
<td>7,591.9</td>
<td>0.69</td>
<td>3.35</td>
<td>2.63</td>
<td>0.41</td>
<td>2.31</td>
</tr>
<tr>
<td>2004</td>
<td>1218.6</td>
<td>185,831.2</td>
<td>19,702.8</td>
<td>577.6</td>
<td>5,321.7</td>
<td>0.74</td>
<td>3.35</td>
<td>2.85</td>
<td>0.45</td>
<td>2.38</td>
</tr>
</tbody>
</table>


Note:
1. The official data of Japan is only up to 2004, therefore though other countries have more updated data, we can only compare the data on or before 2004 across the five societies.
2. R&D expenditures in the official documents of the selected countries were counted in their own currencies. For easy comparison, all of them are converted into US dollars. The currency exchange ratios with US dollars are: 1: 7.8 (Hong Kong), 1: 32 (Taiwan), 1: 1,126 (Korea, as of 20th January 2010), 1: 91.145 (Japan, as of 20th January 2010), and 1: 1.4017 (Singapore, as of 25th January 2010).

Table 13. Typology of triple-helix model in five selected Asian countries/cities

<table>
<thead>
<tr>
<th></th>
<th>State</th>
<th>Industry</th>
<th>University</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>△</td>
<td></td>
<td>△</td>
</tr>
<tr>
<td>Japan</td>
<td>△</td>
<td></td>
<td>△</td>
</tr>
<tr>
<td>Singapore</td>
<td>△</td>
<td></td>
<td>△</td>
</tr>
<tr>
<td>South Korea</td>
<td></td>
<td></td>
<td>△</td>
</tr>
<tr>
<td>Taiwan</td>
<td>△</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Drawn by the author.

Note:
2. “△” indicates a significant contribution of that stakeholder to the national innovation system. The indication of “△” of the same stakeholder of different countries does not imply that the degrees of contribution of that stakeholder are the same in different countries.

In Singapore, the government welcomes foreign investments and companies, and sometimes has to favour them in exchange for their investments. But in Japan and
South Korea, big corporations are mostly local in nature as the two countries regard local industries as their national strengths, which need to be protected and supported. Therefore, while Singapore is described as a “technoglobalist” country, Japan and South Korea can be categorized as “technonationalist” countries (Keller and Samuels, 2002; Kim, 2001).

Though universities do not yet play a significant role in R&D in the selected Asian societies except Taiwan, we can envisage the picture will be different in the future as the higher education reforms taken will soon start to bear fruit. For instance, in Japan, the government issued a series of policies in the 1980s and 1990s to strengthen the university-industry linkage in response to the burst of “bubble economy” and to rebuild Japanese confidence in the global economy’s competition (Kaneko, 2004: 136–137). To provide incentives for the industry-university collaboration, the Japanese government funded the joint research project between universities and industries, and established “university-industry cooperation centers” at selected national universities. Faculty members are even allowed to involve part-time positions in the private enterprises. Meanwhile, the privatization of national universities, which in a form of reorganization of national university governance bodies, has been implemented after a long progress of discussion in order to allow the national universities becoming more aggressive in acquiring their standing in the market (Kaneko, 2004: 141). In Korea, the most remarkable measure taken by the government is the two-phase (1999–2005 and 2006–2012) US$ 3.64 billion “Brain Korea 21” project, which aims to upgrade the research capacities of Korean universities. Results of the project are encouraging. The Korean government’s official statistics shows that, the first phase project has produced 6,602 doctorate students in S&T subjects; the numbers of S&T SCI-level papers rose from 3,765 in 1998 to 7,281 in 2005; and the nation’s ranking in SCI-S&T papers improved from 16th in 1998 to 12th in 2005 (MEST, 2007).

In Hong Kong, university-industry cooperation has also been encouraged through the commercialization of research results. For example, a number of universities in Hong Kong have set up their technology transfer centers affiliated enterprises for bridging and coordinating industrial contacts and collaborations, commercializing and marketing their research results, and protecting intellectual property (Mok, 2005a: 554–546). In 2006, the government launched the “R&D Centre programs” comprising of six research centers, with three of them are hosted by leading universities in Hong Kong. Similarly, in Taiwan, the government encouraged the participation of the industry in curricula as a form of cooperation between academic and industry. The Taiwanese government therefore has launched a programme called “Last Mile Plan” to encourage the universities to establish connections with the industrial sector. By the scheme, the industry has the opportunities to engage in the design of curricula, thereby assuring the students’ abilities meeting the needs of future employers (Lo and Weng, 2005: 145–146). Universities play a great role in R&D in Taiwan by partnering with SMEs in developing products, serving as their incubator centers. In recent years, the Singapore government has also proactively engaged in pushing the public universities to become more active in reaching out to the business and industrial sectors. The call for “Enterprise University” and the
quest for “entrepreneurship” are becoming the catchwords in its higher education reforms. One dominant feature of such reforms is the strong intention of the government in tactically selecting key partners and top-tier universities from abroad to establish their branch campuses in the city-state in order to develop Singapore into a regional hub of higher education (Mok, 2008).

In short, many leading research universities in Asia are now questing for entrepreneurialism both for endeavoring for more and diversified funding as well building up a good public image (e.g. climbing up in the international university rankings). To a certain extent, they are run as a corporation to achieve efficiency and maximize profits of their research results. The entrepreneurial activities are institutionalized with the setup of technology transfer offices. At the same time, “…faculty and professional staff [are expected to] extend their human capital stocks increasingly in competitive situations… [that they] are employed simultaneously by the public sector and are increasingly autonomous from it. They are academics who act as capitalists from within the public sector; they are state-subsidized entrepreneurs” (Slaughter and Leslie, 1997: 9). As both the governments and industries in Asia are increasingly aware of the importance of university entrepreneurialism to economic development, we can therefore anticipate that there will be more dynamic interactions among the state, industry and universities in the future.

POLICY IMPLICATIONS AND CONCLUSION

After reviewing the higher education funding strategies, management and governance changes, and university entrepreneurialism adopted by Asian governments and universities, we should pay particular attention to the policy implications on the growing prominence of privateness in higher education. Few major challenges of increasing privatization / corporatization of higher education in Asia warrant our attention:

– The quest for world-class university and the stratification of universities;
– The increase in private funding sources and intensifying inequality in education;
– The tension between internationalization and preservation of local and regional uniqueness;
– The massification of higher education and assurance of academic quality;
– The corporatization of university and its impact on academic freedom and autonomy;
– The marketization of higher education and potential threat to less market-driven disciplines

In addition, international research on private higher education clearly suggests the growing privateness of higher education has caused the following consequences: (1) inequality between the affluent and the economically weaker; (2) geographical inequalities between rural and urban areas, as it is metropolitan and urban areas that attract the private sector, leaving rural areas far behind; (3) imbalances between various disciplines of study in universities; and (4) imbalances in manpower production, creating mismatches between demand and supply. In 2009, the World Bank has published a report entitled The Challenge of Establishing World-Class
Universities, identifying the widening gap between the rich and the poor as one of the major problems, especially when a growing number of countries like China and Malaysia have made attempts to concentrate national resources to only a selected few of universities for boosting them into world-class universities (Salmi, 2009). Hence, a tension between enhancing the national / global competitiveness and promoting social equality through the provision of higher education is becoming intensified. It is also against a very strong tide of globalization and privatization, many Asian states are caught into a dilemma of treating higher education either “public good” or “private good”; while many governments have also adopted policies favoring private higher education more out of compulsion than any strong conviction. Therefore, we can easily find completing messages regarding the nature of private higher education whether it favors “privatization but not commercialization”, “private participation but not privatization”, or “not private participation but public-private partnership” (Tilak, 2006: 120).

Similarly, other comparative studies have also indicated that the growth of private higher education in Southeast Asia as well as in other developing countries in East Europe and South America to meet the pressing demand for higher education has nonetheless focused predominately on teaching, hence little or even no research activities undertaken by private institutions. As Teixeira et al. argue that private higher education “is characterized mostly by its low-risk behavior, and a concentration on low-cost and / or safer initiatives” (2001: 359). Adopting a “lax approach” in running private higher education in Southeast Asia, private institutions can choose whether to operate as a corporation or as a foundation, some of these institutions would seize the opportunity for making quick profits, which has inevitably led to lower academic quality especially when the government regulation is weak in some of the Asian countries (Gonzalez, 1999).

In conclusion, this chapter has briefly outlined both the global and domestic factors accounting for the rise of the privateness in higher education in Asia. Some of these Asian societies have allowed the private sector to perform increasingly important role for “compensating for their deficiency” and therefore they actually make use of private sources as instruments for “catching up” or “moving ahead” purposes. In contrast, for those relatively less economically developed countries, they have used the market as an instrument to fulfill their policy goals of higher education expansion. Most important of all, our above comparative study has clearly indicated that even though there are similar trends of higher education developments in Asia amidst globalization, the Asian states have also tactically made use of the global forces, rather than being assimilated or co-opted passively, to accelerate changes in order to fulfill their locally driven political / reform agendas. Yet it seems that the privatization of higher education is an irreversible trend so that the task upon us is to watch out and alleviate the negative impacts of privatizing higher education.

NOTES
1 This section draws on the author’s World Bank project on innovation and higher education in Asia, which has more systematic and detailed analysis. The project is in the process of review. Part of the
materials reported and analyzed in this chapter are based upon the author’s recent research project (HKU 7005-PPR-6) funded by the Research Grant Council of the HKSAR Government.

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