

States and Market: Mapping the growth of privatization in Higher Education

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Introduction

Presence of private institutions in the field of education is not a new phenomenon and neither is private provision of education. However, privatization of education on a mass scale certainly is. This is particularly true of the countries in the developing world and the erstwhile Soviet bloc where private parties have stepped in to occupy the space ceded by the state when it was no longer able or willing to support the education sector. This implies that space for private players in education is provided by the state itself when the latter is no longer able or willing to support the sector primarily due to lack of funds. If their rate of expansion is anything to go by, then 21st century will witness an exponential growth of private higher education (HE). Not only are private higher education institutions (HEIs) expanding in terms of infrastructure but they are increasingly serving larger segments of the population across the length and breadth of the globe. With the global economy integrated more than ever, it is not surprising that similar forces and factors are shaping governance and management policies in HE by emphasizing accountability, efficiency, competitiveness, and increased involvement of stakeholders. This paper, therefore, looks at the role of neoliberalism as an ideology in expanding the role of private sector in higher education while simultaneously transforming higher education. For this, one first needs to understand the difference between public and private goods.

Public goods vs. Private goods

The distinction between 'public' and 'private' is a crucial separation which has served as an entry point to several key social and political debates. It is one of the 'grand dichotomies' that has been a feature of Western thought since antiquity (Weintraub, 1997). Since then, different versions of this dichotomy has found its way into numerous disciplines, in the process generating 'numerous formulations of the opposition between public and private...' (Squires, 2018: 131). However, what can be agreed upon is the 'imagery' of what 'public' and 'private' represent. The former represents the outdoor, an arena governed by universal norms which is open to all. In contrast the private sphere is a discrete sheltered domain mostly associated with the family which is exclusive and selective (Mahajan, 2009 and Squires, 2018).

Nevertheless, there are two broad traditions for differentiating the two: classical and liberal. In the classical tradition the separation is between '*oikos*' i.e., the domestic arena engaged in production and reproduction inhabited women, children and slaves; and '*polis*' where citizenship is practiced by means of debate, discussion and collective activity. In the

liberal tradition, early liberals were fixated on demarking clear boundaries for the state which in their opinion should only be concerned with ensuring law and order in, and protecting individual rights which in turn allow for the seamless functioning of the markets. This perspective is represented most coherently by John Stuart Mill who separated the self-regarding and other-regarding actions. Eventually, this solidified into a clear public-private dichotomy as distinction between the state and the market. The public sphere is managed by an authoritative state while market is where reasonable individuals get into voluntary relations of exchange. Thus, it is from the liberal framework that we get public and private sectors (Wientraub, 1997).

In popular imagery, then, public and private goods are produced by public and private sectors respectively. This leads one to the question of what public and private goods are. A public good can be any commodity or service which is provided by the state or a private body to the benefit or demand by all members of a society without the intention of making profit. This is a very loose definition. Social scientists and more specifically economists would go with what has now become textbook definition of what constitutes a public good. Accordingly, a public good is that which satisfies the following two criteria: (a) non-rivalry i.e., its consumption should not diminish its availability to others and (b) non-excludability i.e., no one should be prevented consuming/using the good once it has been produced (Desmarais-Tremblay, 2015). By this definition examples of public goods include national defense, environmental goods such as clean air/water, street lighting, roads and highways, public water supply and the like. However, there is an obstinate issue associated with public goods i.e., is the problem of free riders-those individuals who utilize these commodities/services by understating their preferences so as to avoid being taxed. They conveniently let others pay for these goods. A for-profit provider will not provide for these goods due to uneven demand or non-payment. Therefore, the state necessarily has to provide for them. By this description then, private goods are rivalrous and exclusive. They can only be enjoyed by a few.

Coming to HE, it serves both public and private interests. It serves public interests by 'preparing the young to assume adult roles in which they can undertake civic responsibilities; embrace a common set of values; participate in a democratic polity with a given set of rules; and embrace the economic, political, and social life that constitute the foundation for the nation' (Levin, 1999: 125). All of this is indispensable in the efficient functioning of democracy, economy and society. At the same time education also caters to the private interests of individuals and their families by providing avenues of development which would bring in socio-economic and cultural benefits. This is not to say that private and public benefits accruing from education are opposed to each other. Rather there is considerable overlap between the two. For example, an educated individual not only earns better and receives other social benefits but also contributes to the economy but tensions can also exist. For example, value systems of a family might be in stark contrast to those that are espoused by an educational institute.

Specifically discussing the case of universities, Altbach (2006) argues that they began as institutions that provided education in the professions of law, theology, medicine and other scientific disciplines. They were independent institutions performing critical

functions of preservation, interpretation and at times expansion of history and culture of the society. At some point in the nineteenth century, research became an additional responsibility to be performed by universities. Eventually, service to the society was also added to the list. In the medieval times most of the institutions were either owned by the state or the church but even for those which were sponsored by private parties, public service was the mission. HE was, therefore, a public good valued for its intrinsic worth and worthy of public support.

The definition of public goods as discussed above cannot be applied to HE. It is possible to exclude individuals from accessing institutions of higher learning. To give an example, one among the many eligibility criteria to institutions of higher learning is an entrance examination. Among the multitude who apply only a few are successful. Again, HE is a powerful screening mechanism that communicates the potential productive capacity of an employee to the employers. This proves that non-rivalry and non-exclusion principles cannot be applied to HE. Thus, even with public provision of HE, the benefits are largely enjoyed by private individuals. This is not to deny the many positive externalities associated with HE such as ‘instilling patriotic values, inhibiting anti-social behaviour and corruption, compliance with cultural norms, smooth functioning of the institutions and upholding the principles of democracy’ (Chattopadhyay, 2007: 4251). HE, therefore, is best categorized as a quasi-public good i.e. a private good with positive externalities. However, with the ascendancy of the neoliberal ideology since the 1970s has compromised the idea of HE as a public good or even as a quasi-public good. The following sections will, therefore, discuss the implications of neoliberal order on HE.

Neoliberal agenda in HE

Education was one of the earliest targets of neoliberal ideology. Neoliberalism sees education as an agent in human capital formation. By this definition, education “is the business of forming the skills and attitudes needed by a productive workforce – productive in the precise sense of producing an ever-growing mass of profits for the market economy” (Connell, 2013: 104). Thus, education is a process oriented towards futuristic goals. This may be taken as an improvement on the traditional theories of education prevalent in social sciences but it is problematic because according to neoliberal thought there is nothing intrinsically special about education.

When the Keynesian system was at its height, the governments invested in social institutions that would ensure the improvement of human capital and thereby, the economy. Neoliberalism on the other hand sees economic productivity resulting from transformation of education into a commodity that can be bought and sold. A necessity to this project is a transformed state, from one which was previously responsible for the well-being of its citizens and the economy, to a state that has given much power to global corporations and installs apparatuses by which “people are reconfigured as productive economic entrepreneurs of their own lives” (Davies and Bansel, 2007: 248). The policies and practices from this transformation have implications for education. Public institutions which were earlier essential for collective well-being were now seen as a part of market resulting in the privatization of education systems.

Privatization is the process by which private actors participate in a range of educational activities that had been previously the responsibility of the state. Globally, privatization of HE has become a policy project that is pursued at different locations across the world, both in developed and developing countries, all with varying administrative traditions and regulatory frameworks in order to address educational challenges. According to Ball and Youdell (2007), privatization policies can be of two main types: a) privatization of public education i.e. exogenous privatization, and b) privatization in private public education i.e. endogenous privatization. In the former case, educational services are opened to private participation on a for-profit basis. Many aspects of public education are designed and delivered by the private sector. In case of endogenous privatization, private sector practices, ideas and techniques are introduced in public education in order to make them more business-like. Lately, Ball (2012) has added another mode of privatization i.e., through education policy making by allowing private actors to play an active role by means of advocating policy solutions to the state.

These policies make institutions take on the characteristics or operating under norms of private enterprises. With regard to education, it connotes the orientation of students as consumers and the transformation of college education into a product. It also suggests management practices adopted by institutions which are more akin to private businesses such as outsourcing of services such as building maintenance, bookstore operations, printing and the like, minimizing payroll expenditures, widespread use of auditing and accountability measures, insistence on each department contributing to profitability and the like. It is argued that these measures will generate efficiencies that will benefit students, institutions and employers alike. These measures have not only have they created markets and competition in spheres where earlier they were non-existent but have also placed emphasis on labour market flexibility, the superiority of individual choices over social and collective goals and enabling the marketization of public academic institutions which have now been transformed into entrepreneurial universities (Tilak, 2005).

Of the many arguments extended to reduce the role of state in education, the arguments can be categorized into three: efficiency, equity and pragmatic considerations (ibid.). Those putting forth the efficiency argument point out that even with heavy subsidies in higher education, the rates of return are lower than in private sector. Hence, subsidies must be reduced. There is also a strand of thought which argues that HE should not have a priority claim over resources available for education especially in developing countries which are yet to achieve acceptable levels of quality and equity at primary and secondary levels. The justification is that the social rates of return on investments in primary and secondary education will far exceed those from HE. The equity argument states that public subsidization of education produces perverse effects on distribution, because it increases income inequalities by transferring resources from the rich to poor. Finally, the argument goes that since most of the third world countries were facing resource crunch, it would be in the larger interest for the state to withdraw from the education sector. These measures would improve access, quality, and cost recovery without leading to a fall in the enrollment levels. And neoliberalism used its institutional framework to implement these measures i.e., the World Bank (WB) and the International Monetary Fund (IMF).

Mapping the growth of private sector

Presence of private institutions in the field of education is not a new phenomenon, privatization of education certainly is. Space for private players in education is provided by the state itself when the latter is no longer able or willing to support the sector primarily due to lack of funds. Going by their rate of expansion 21st century will be the age of private HE. Not only are private HEIs expanding in terms of infrastructure but they are increasing serving larger segments of the population across the length and breadth of the globe.

In the traditional home of private HE i.e., the United States at, Altbach (2006) argues that only about 20 percent of gross enrolments happened at private institutions which stands in contrast to countries such as Taiwan, South Korea, the Philippines, India, Indonesia and the like where the private sector caters to the majority. It is growing from strength to strength even in countries where they previously had negligible presence such as in Central Asian countries, China, and Vietnam. Similar is the situation in Latin American countries. With this little information one must not rush to the conclusion that private sector has only recently began to be associated with the education sector. Rather private sector participation has a long history. The following paragraphs will attempt to prove that.

Mapping the participation of private sector in HE in Latin America, Levy (1985) argues that till the 1880s there was no private university in Latin America. By 1975, private sector participation was roughly around 34 percent, a major portion of which was contributed by Brazil which has a massive private sector. This surge in percentage can be misleading. Many HEIs were established by the Catholic Church. Considering various criteria such as mission, finance, governance, founding authority and the like, these institutions were a complex mix of public and private elements. They were simultaneously Church and state institutions. Eventually, the influence of the Church weakened, and a strong public sector emerged. The state had the ultimate authority and responsibility regarding HEIs. For close to a century the state enjoyed a monopolistic position, but the 1930s Chile and Peru digressed from the set regional pattern by establishing Catholic Universities. According to Levy this was first of the three waves in the establishment of the private sector. The Church and its support was concerned over the perceived marginalization of its influence in HE. Once the state was sure that the Church and its supporters no longer wielded the power to control to HE, it allowed the latter some role. Apart from religious goals there was also 'a desire to escape the leftist political thought and action often found in the public sector' (Levy, 1985: 445). This phase was followed by a second wave wherein the religious question had become non-existent. The roots of second phase lies in the disappointment of the elite with the public sector. Academic degrees and credentials had become worthless. Industrialists were dissatisfied with the inability of public universities to produce trained personnel. The elite, employers and conservatives in general were all reacting to public sector failure and thus came into being private universities that were 'secular elite' or simply 'elite'. In the third phase of private sector expansion, 'non-elite secular institutions' grew. This was again a reaction to the public sector's inability to meet the surge in student demand for HE which specifically catered to job related training. Interestingly, a running

theme in all three phases has been a desire to escape leftist politicization. The so called third wave of expansion has parallels in Asia.

Asia has a long history of private sector participation (Altbach, 2006) but extent of privatization in recent times is speedier than in other parts of the globe (ADB, 2012). Some of the factors behind the surge in demand for private HE include: rapid urbanization, low capacity of the public sector and desire for international education (Parthenon-EY, 2016). Geiger (1986) has identified three stages to the growth of private HE in Asia. The first stage is known as 'peripheral private'. Most of the developing countries subscribed to some form of socialism in the initial stages of development and HE was no exception. Therefore, public sector dominated the field of education and the private sector was on the fringes. Bulk of the Asian countries followed this pattern. The second phase consists of 'parallel public and private higher education sectors' wherein both can be compared in terms of function and status. Finally, there is an 'extensive private higher education sector'. Here the presence of private sector in terms of enrolment and number of institutions far outnumber the public sector. Asian countries are currently in the third phase. In East Asia, Japan and the Republic of Korea lead with private sector enrolment and institutional share reaching 77% and 90% respectively, and in Southeast Asia, Indonesia and Philippines with institutional share of 97.3% and 72.2% and enrolment share of 70.9% and 60.9% lead the way (ADB, 2012).

The large share of private sector over the years has made private HEIs very diverse in Asia. Accordingly, Levy (1986) had identified four types of private HEIs: (a) religious-affiliated or culturally oriented. These are the oldest private HEIs in Asia and are affiliated to Christian, Islamic or Buddhist organizations; (b) elite or semi-elite, founded by business elites are secular in nature. Numerically they are few and are prominent at the national and regional levels for excellence in academics and research. They are also well connected to industries. However, they are often criticized for limited access, high tuition fees and setting high standards for admission. They only cater to a small portion of the population; (c) demand absorbing, majority of Asian private HEIs fall into this category. As the name suggests, they accommodate the demand which public HEIs are unable to meet. Having emerged in the recent decades, most of them are run like family owned businesses and have limited resources. Therefore, they are more likely to offer courses which require less investment but give high returns. They also do not invest in research, infrastructure or faculty and thus, the quality of HE is substandard; and finally (d) serious demand absorbing types. These institutions fall in between elite/semi-elite and demand absorbing institutions. They aim at providing quality education and have much in common with elite/semi-elite institutions. Since the eventual aim is to be a part of semi-elite groupings, they eagerly comply with the regulations and standards set by the state.

Since the bulk of private institutions are demand absorbing it is assumed that in the prestige hierarchy they would be at the bottom. This is a faulty assumption. Some of the finest universities of the world are private. Harvard, Stanford, Yale, and Chicago are some examples in the United States. In Asia some prestigious private institutions are Yonsei (Korea), Waseda (Japan), Ateneo de Manila (Philippines) and Santa Dharma (Indonesia). These HEIs are firmly placed at the top of academic hierarchy and have a much in common

with institutions in the public sector. The bottom of the system is dominated by ‘demand-absorbing’ institutions. Altbach (2006) has labelled them as ‘diploma mills’ in that they churn out large number of graduates and in the process make a neat profit for the owners. They do not offer degrees but only diplomas and certificates. Several of these institutions do not have official recognition from accrediting agencies. True, they cater to the employment market, but their unregulated nature leaves a lot to be desired in terms of quality of both the diplomas awarded and graduates produced. Since they operate outside the purview of regulatory framework, they are frequently shut down when discovered. Yet the private sector is growing and is proving to be a serious competitor to the public sector. Therefore, to survive, the latter is taking on the profit worthy characteristics resulting in changed patterns in governance, funding, and access.

Conclusion

Privatization of HE systems have created serious problems in terms of access, quality and equity while simultaneously causing changes in governance, funding, and access. This is because it has been found that the private sector is unresponsive to the needs of the society as institutions tend to be more concerned with making profits and given a chance will align themselves with corporations. Yet, one cannot overlook the fact that the private sector has made higher education accessible to a large section of the population. Thus, there needs to be a way to make private sector’s role in higher education more sustainable.

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